



**2017 Executive Officer  
Remuneration Disclosures**  
NULIS Nominees (Australia) Limited

January 2018

## Section 1

### Introduction

This document is designed to provide stakeholders with details about Executive Officer remuneration for NULIS Nominees (Australia) Limited ABN 80 008 515 633 ("the Trustee"), paid or provided by the Trustee or a related body corporate, as required under section 29QB(1)(a) of the Superannuation Industry (Supervision) ("SIS") Act 1993 ("the Act") and Regulation 2.37 of the Superannuation (Industry) Supervision Regulations 1994 ("SIS Regulations"). The Trustee is a registrable superannuation entity ("RSE") licensee ("RSE licensee") regulated by the Act and SIS Regulations.

The Trustee's financial year is from 1 October to 30 September. The financial year ended 30 September 2017 is referred to as 2017 and other financial years are referred to in a corresponding manner. All figures in this report are in Australian dollars (AUD).

This document is referred to as Statutory Remuneration Disclosures 2017. It provides remuneration disclosures for 2017, with 2016 comparative data as required by the Act and SIS Regulations.

National Australia Bank Limited ABN 12 004 044 937 is referred to as "NAB" throughout this document. NAB and its controlled entities are referred to as "the Group". The Trustee is a wholly owned subsidiary of NAB.

The remuneration (payments, benefits and compensation) received by each Executive Officer detailed in this document has been received from a related body corporate of the Trustee which is either National Wealth Management Holdings Limited ABN 73 093 329 983, National Wealth Management Services Limited ABN 97 071 514 264 or NAB. Accordingly, the amounts disclosed in Tables 1 and 2 for each Executive Officer reflect the proportion of remuneration that relates to work performed for the Trustee during the year by the particular Executive Officer in accordance with Regulation 2.37(2) of the SIS Regulations. The approach for the different categories of Executive Officer is outlined below:

- The amounts disclosed for each non-executive director, are the actual (specified) amounts they have received for their role. Further details about how these amounts have been determined are given in the section "How Executive Officer remuneration is determined". The amounts disclosed reflect remuneration received for work performed for the Trustee for the year.
- The amounts disclosed for the Chief Operating Officer, NULIS Nominees (Australia) Limited are the actual (specified) amounts received for this role. The amounts disclosed reflect the remuneration received for work performed for the Trustee for the year.
- The remaining Executive Officers, perform work for the Trustee and work for other Group entities (other than the Trustee) but do not receive specifically identified remuneration for their work for the Trustee. The amounts disclosed in these cases reflect an accurate estimate of the proportion of remuneration received for work performed for the Trustee for the year. This has been determined by applying a percentage to the Executive Officer's total remuneration to determine the proportion of remuneration attributable to the Trustee and other Group entities. This percentage is calculated by comparing the funds under management by the Trustee to the total funds under management by NAB as a whole. In each case this standard percentage is assessed against the work the particular Executive Officer performs for the Trustee, and where relevant is adjusted to ensure that the percentage applied to the Executive Officer's Group remuneration represents an accurate estimate of the time the Executive Officer devotes to their work between the Trustee and the other Group entities.

## Section 2

## Executive Officer Arrangements

## 2.1 Executive Officer contractual arrangements

This section outlines details of contractual arrangements negotiated or renegotiated involving an Executive Officer.

Existing contracts remain in place between each Executive Officer and companies within the Group. A new contract of services was negotiated during 2017 between National Wealth Management Holdings Limited and the following Executive Officers:

- A Gale on appointment as a non-executive director of the Trustee; and
- P Gupta on appointment as a non-executive director of the Trustee.

The remuneration arrangements negotiated with the Executive Officers are consistent with section 2.2.

## 2.2 How Executive Officer remuneration is determined

A director's fee is set by the NAB Board for each non-executive director to perform the role undertaken for the Trustee. This fee is based on advice and market data provided by independent external remuneration advisers. This advice considers relevant factors including the level of fees paid to board members of other Australian corporations which are of a similar size and operational complexity to the Trustee, the activities of the Trustee and the responsibilities and workload requirements of directors of the Trustee. In addition, the NAB Board annually reviews the fees paid to the Chair and non-executive directors on the Trustee Board in line with general industry practice and adjusts where appropriate. The same approach is taken in determining Committee fees.

Executive Officers who are employed by NAB or National Wealth Management Services Limited are remunerated in accordance with the Group's remuneration policy and practices. Their remuneration arrangements are reflective of the executive role they perform for the Group and are reviewed at least annually. In setting an individual's remuneration the Group considers:

- role complexity and responsibilities;
- individual capabilities, experience and knowledge;
- business and individual performance;
- internal and external market role relativities;
- input from NAB Board's Remuneration Committee (the Remuneration Committee) and management on the target remuneration for individuals; and
- general remuneration market environment and trends.

## 2.3 Statutory remuneration data for Executive Officers

The following table has been prepared in accordance with the Act and SIS Regulations. It shows details of the nature and amount of each element of remuneration paid or awarded for services provided for the year (including Short-Term Incentive (STI) amounts in respect of performance during the year which are paid following the end of the year). The Executive Officer has been an Executive Officer for the whole of 2017 unless specified.

Table 1: Statutory remuneration data

		Short-term benefits			Post-employment benefits	Equity-based benefits		Total <sup>(9)</sup>
		Cash salary <sup>(1)</sup>	Cash STI <sup>(2)</sup>	Non-monetary <sup>(3)</sup>	Super-annuation <sup>(4)</sup>	Other long-term benefits <sup>(5)</sup>	Shares <sup>(6)</sup>	
		\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>								
N Smith <sup>(9)</sup>	2017	265,276	-	-	19,724	-	-	285,000
	2016	283,171	-	-	19,329	-	-	302,500
A Gale (part year) <sup>(9) (10)</sup>	2017	179,081	-	-	14,576	-	-	193,657
P Gupta (part year) <sup>(9) (11)</sup>	2017	136,761	-	-	-	-	-	136,761
E Horton <sup>(9)</sup>	2017	179,224	-	-	17,026	-	-	196,250
	2016	178,795	-	-	16,580	-	-	195,375
T McCredden <sup>(9)</sup>	2017	189,808	-	-	17,592	-	-	207,400
	2016	195,610	-	-	17,640	-	-	213,250
P O'Neal	2017	174,658	-	-	16,592	-	-	191,250
	2016	178,918	-	-	16,832	-	-	195,750
A Schoenheimer <sup>(9)</sup>	2017	182,648	-	-	17,352	-	-	200,000
	2016	13,401	-	-	1,273	-	-	14,674

		Short-term benefits			Post-employment benefits	Equity-based benefits			Total <sup>(9)</sup>
		Cash salary <sup>(1)</sup>	Cash STI <sup>(2)</sup>	Non-monetary <sup>(3)</sup>	Super-annuation <sup>(4)</sup>	Other long-term benefits <sup>(5)</sup>	Shares <sup>(6)</sup>	Rights <sup>(7)</sup>	
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Other executive officers</b>									
A Hagger <sup>(12)</sup>	2017	46,165	19,200	995	830	770	8,706	61,607	138,273
	2016	525,384	332,376	32,919	10,612	8,842	412,313	733,283	2,055,729
S Harvey (part year) <sup>(13) (14)</sup>	2017	131,918	29,057	263	21,579	4,981	19,370	-	207,168
M Lawrance <sup>(13)</sup>	2017	269,238	294,470	47	10,036	5,131	225,398	33,488	837,808
	2016	297,407	243,239	46	10,327	4,763	113,172	56,917	725,871
B Marriott <sup>(15)</sup>	2017	252,181	62,489	9,284	20,756	4,668	46,465	-	395,843
	2016	249,323	102,923	7,280	20,257	4,672	101,482	-	485,937
A Morgan (part year) <sup>(13) (16)</sup>	2017	130,205	37,571	44	14,169	2,150	20,104	-	204,243
G Mulcahy <sup>(13)</sup>	2017	298,164	321,880	-	63,630	5,964	143,803	58,146	891,587
	2016	335,961	368,258	-	53,166	6,283	112,805	110,020	986,493
D Murphy <sup>(13)</sup>	2017	238,414	139,356	47	10,019	8,174	75,761	32,569	504,340
	2016	219,981	121,619	46	10,282	7,616	47,832	54,255	461,631
<b>Executive Members of Investment Committees</b>									
L Boyce <sup>(13)</sup>	2017	161,633	60,751	47	9,948	3,034	21,574	-	256,987
	2016	189,166	64,587	3	10,237	3,198	25,193	-	292,384
J Coombe <sup>(17)</sup>	2017	145,322	-	44	14,441	2,638	44,167	-	206,612
	2016	77,488	53,822	23	-	1,449	40,341	-	173,123
K Vincent <sup>(13)</sup>	2017	157,396	93,982	3,464	9,948	1,592	71,014	-	337,396
	2016	164,456	88,495	3,414	10,228	1,460	47,095	-	315,148
<b>Former Non-executive directors</b>									
M Clancy (part year) <sup>(18)</sup>	2016	34,373	-	-	3,265	-	-	-	37,638
T Hunt (part year) <sup>(19)</sup>	2017	50,096	-	-	3,800	-	-	-	53,896
	2016	232,629	-	-	14,280	-	-	-	246,909
J Reid (part year) <sup>(19)</sup>	2017	65,046	-	-	4,904	-	-	-	69,950
	2016	192,534	-	-	17,536	-	-	-	210,070
<b>Former other executive officers</b>									
P Carter (part year) <sup>(20)</sup>	2017	87,445	50,386	24,786	4,183	1,296	(17,897)	72,999	223,198
	2016	257,981	247,205	-	10,340	3,670	102,468	62,938	684,602
K Christie (part year) <sup>(21)</sup>	2017	4,774	3,139	-	501	108	2,836	1,419	12,777
	2016	225,741	198,293	-	10,296	4,142	76,654	58,887	574,013
D Hackett <sup>(22)</sup>	2016	233,719	284,836	3,560	17,412	3,552	173,246	65,760	782,085
S Martin (part year) <sup>(23)</sup>	2017	6,861	1,665	3	1,104	127	1,146	-	10,906
	2016	111,833	38,865	85	11,642	1,635	13,190	-	177,250
<b>Total executive officers</b>	2017	<b>3,352,314</b>	<b>1,113,946</b>	<b>39,024</b>	<b>292,710</b>	<b>40,633</b>	<b>662,447</b>	<b>260,228</b>	<b>5,761,302</b>
	2016	4,197,871	2,144,518	47,376	281,534	51,282	1,265,791	1,142,060	9,130,432

<sup>(1)</sup> Includes fees, cash salary, cash allowances and short-term compensated absences, such as annual leave entitlements accrued but not taken during the year.

<sup>(2)</sup> The amount disclosed in this section in respect of 2017 includes the following:

a) The cash component of the STI received in respect of 2017. This was paid on 15 November 2017. The amount reflects 50% of the STI provided to A Hagger and 75% of the STI to be provided to eligible other executive officers. The 2017 STI awarded (cash and equity component) as a percentage of STI target was: A Hagger 80%, S Harvey 85%, M Lawrance 85%, B Marriott 85%, A Morgan 85%, G Mulcahy 85%, D Murphy 85%, L Boyce 85%, K Vincent 110%, P Carter 90%, K Christie 85% and S Martin 85%. J Coombe did not receive any STI from the Group in respect of 2017. Footnotes 6 and 7 provide further details about the STI equity component, and section 2.4 provides further details of the service and performance criteria of the STI (both cash and equity components).

b) An additional cash incentive paid to K Vincent (\$16,776) in November 2016, and M Lawrance (\$95,860), G Mulcahy (\$23,965) and D Murphy (\$59,913) in March 2017. This payment was awarded in respect of achievement of key project deliverables and service conditions determined by NAB and distributed on a discretionary basis. The cash incentive amount paid was 100% of the incentive award.

There has been no alteration of terms and conditions of either the cash component of the STI or the cash incentive prior to payment. No cash STI has been forfeited due to failure to meet service or performance criteria during 2017. The minimum and maximum value for the cash component and the cash incentive is what was actually paid in 2017.

<sup>(3)</sup> Includes any motor vehicle benefits, parking, relocation costs and other benefits. Any related fringe benefits tax is included.

<sup>(4)</sup> Includes company contributions to superannuation and allocations by employees made by way of salary sacrifice of fixed remuneration. There are no other post-employment benefits to be reported.

<sup>(5)</sup> Includes long service entitlements accrued but not taken during the year. The long service leave entitlements are recognised as accruing on an annual basis subject to an actuarial calculation.

<sup>(6)</sup> The amount included in remuneration each year for share rewards is the grant date fair value, amortised on a straight line basis over the vesting period. Refer to the Table of key terms for an explanation of the fair value approach used to determine equity-based benefits. Amounts shown for 2017 include portions of shares allocated under employee programs as follows:

a) General Employee shares granted in December 2013, December 2014, March 2016, December 2016 and December 2017, to eligible other executive officers at the relevant offer time. The shares vest after a three-year restriction period. In NZ the shares are subject to forfeiture conditions, including on resignation.

b) 2015, 2016 and 2017 deferred STI shares allocated in March 2016, February 2017 and to be allocated in February 2018, respectively. The 2015 and 2016 deferred STI shares vested in December 2016 and November 2017, respectively. Forfeiture conditions apply during the deferral period.

c) Customer Advocacy Incentive shares granted to P Carter, K Christie, M Lawrance, G Mulcahy, D Murphy and K Vincent in March 2016 and February 2017. The shares are restricted until December 2017 and December 2018, respectively, and are subject to achievement of 2017 and 2018 NPS targets and service conditions.

d) Retention shares granted to A Hagger in May 2016. The shares were restricted for approximately 8 months and subject to achievement of key project deliverables and service conditions. The grant fully vested in January 2017.

e) Restricted shares granted in October 2016 to M Lawrance fully vested in August 2017 and were subject to performance and service conditions.

(7) The amount included in remuneration each year for performance rights is the grant date fair value amortised on a straight line basis over the expected vesting period. Refer to the Table of key terms for an explanation of the fair value approach used to determine equity-based benefits. Amounts shown for 2017 include portions of performance rights allocated under employee programs, as shown below:

a) Deferred STI rights granted in February 2015 in respect of performance in 2014 to eligible other executive officers, and in March 2016 in respect of performance in 2015, February 2017 in respect of performance in 2016 and December 2017 in respect of performance in 2017 to A Hagger. The performance rights are granted with half of each grant restricted for approximately 14 months after the end of the performance year and the remaining half for approximately 26 months after the end of the performance year.

b) LTI performance rights granted in December 2012, December 2013, December 2014 to eligible other executive officers and in December 2015, December 2016 and December 2017 to A Hagger under the Group's LTI program.

(8) Where no values are provided in any year for an executive officer, this means that they were not in an executive officer position during that year. All amounts reflect time as an executive officer for the Trustee, including part year executive officers whose amounts have been pro-rated for the relevant period as an executive officer.

(9) Amounts shown are actual amounts received for work performed for the Trustee.

(10) A Gale commenced as a non-executive director for the Trustee on 26 October 2016.

(11) P Gupta commenced as a non-executive director for the Trustee on 30 November 2016.

(12) Amounts shown reflect an accurate estimate of the proportion of total remuneration received for work performed for the Trustee. A Hagger's role changed in August 2016 significantly reducing the amount of work performed for the Trustee in 2017.

(13) Amounts shown reflect an accurate estimate of the proportion of total remuneration received for work performed for the Trustee.

(14) S Harvey commenced as an executive officer on 10 October 2016.

(15) Amounts shown for non-executive directors and B Marriott are actual amounts received for work performed for the Trustee.

(16) A Morgan commenced as an executive officer on 26 October 2016.

(17) J Coombe ceased employment with the Group on 15 September 2017 and did not receive any remuneration from the Group for work performed for the Trustee after this date. J Coombe continued as an Executive Member of the MasterKey and Plum Investment Committee until 24 November 2017. Amounts shown reflect an accurate estimate of the proportion of total remuneration received by J Coombe for work performed for the Trustee from 1 October 2016 to 15 September 2017.

(18) M Clancy was not an executive officer during 2017. His 2016 details are provided for comparative purposes only.

(19) T Hunt and J Reid ceased as non-executive directors for the Trustee on 31 December 2016. There were no termination payments made to T Hunt or J Reid.

(20) P Carter ceased as an executive officer for the Trustee on 31 January 2017. There were no termination payments made to P Carter.

(21) K Christie ceased as an executive officer for the Trustee on 10 October 2017. There were no termination payments made to K Christie.

(22) D Hackett ceased as an executive officer for the Trustee and as an employee of the Group on 3 October 2016. D Hackett did not receive any remuneration in 2017 for work performed for the Group Trustees. There were no termination payments made to D Hackett.

(23) S Martin ceased as an executive officer for the Trustee on 26 October 2017. There were no termination payments made to S Martin.

## 2.4 Value of shares and performance rights

The following table shows the value of shares and performance rights issued to each eligible Executive Officer as part of their remuneration that were granted, lapsed or vested during the year to 30 September 2017. The performance rights are rights to acquire NAB ordinary shares. A reference to shares refers to shares issued by NAB. Each performance right entitles the holder to be provided with one NAB ordinary share subject to adjustment for capital actions.

The value of shares and performance rights is the fair value at grant date multiplied by the total number of shares or performance rights, and therefore represents the full value to be amortised over the vesting period, which is generally longer than the current year. No amounts are paid by Executive Officers for the grant of shares and performance rights.

**Table 2: Value of shares and performance rights**

		Grant date	Granted <sup>(1)</sup> No.	Granted \$	Lapsed No.	Lapsed %	Lapsed \$	Vested <sup>(2)</sup> No.	Vested %	Vested \$
<b>For the year ended 30 September 2017</b>										
<b>Other executive officers</b>										
A Hagger	Deferred STI rights	18/02/2015	164	-	-	-	-	164	100%	4,801
	Deferred STI rights	9/03/2016	514	-	-	-	-	514	100%	13,201
	Retention shares	11/05/2016	801	-	-	-	-	801	100%	22,000
	LTI rights	14/12/2016	2,513	37,859	-	-	-	-	-	-
	Deferred STI rights	22/02/2017	1,126	26,401	-	-	-	-	-	-
S Harvey	General employee shares	11/12/2013	12	-	-	-	-	12	100%	424
	Deferred STI shares	9/03/2016	706	-	-	-	-	706	100%	17,549
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-
	Deferred STI shares	22/02/2017	510	13,382	-	-	-	-	-	-
M Lawrance	Deferred STI rights	18/02/2015	864	-	-	-	-	864	100%	25,246
	Deferred STI shares	9/03/2016	2,972	-	-	-	-	2,972	100%	73,816
	Restricted shares	28/10/2016	4,318	119,838	-	-	-	4,318	100%	119,838
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-
	Deferred STI shares	22/02/2017	2,941	77,171	-	-	-	-	-	-
	Customer Advocacy Incentive	22/02/2017	2,290	71,909	-	-	-	-	-	-
B Marriott	General employee shares	11/12/2013	26	-	-	-	-	26	100%	884
	Deferred STI shares	9/03/2016	1,382	-	-	-	-	1,382	100%	34,329
	Retention shares	11/05/2016	3,382	-	-	-	-	3,382	100%	84,009
	General employee shares	14/12/2016	34	992	-	-	-	-	-	-
	Deferred STI shares	22/02/2017	1,308	34,322	-	-	-	-	-	-

		Grant date	Granted <sup>(1)</sup>		Lapsed			Vested <sup>(2)</sup>		Vested	
			No.	\$	No.	%	\$	No.	%	\$	
A Morgan	General employee shares	11/12/2013	12	-	-	-	-	12	100%	424	
	Deferred STI shares	9/03/2016	637	-	-	-	-	637	100%	15,823	
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-	
	Deferred STI shares	22/02/2017	603	15,822	-	-	-	-	-	-	
G Mulcahy	Deferred STI rights	18/02/2015	2,398	-	-	-	-	2,398	100%	70,106	
	Deferred STI shares	9/03/2016	3,528	-	-	-	-	3,528	100%	87,627	
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-	
	Deferred STI shares	22/02/2017	4,453	116,839	-	-	-	-	-	-	
	Customer Advocacy Incentive	22/02/2017	1,527	47,934	-	-	-	-	-	-	
D Murphy	Deferred STI rights	18/02/2015	758	-	-	-	-	758	100%	22,150	
	Deferred STI shares	9/03/2016	1,062	-	-	-	-	1,062	100%	26,371	
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-	
	Deferred STI shares	22/02/2017	1,470	38,586	-	-	-	-	-	-	
	Customer Advocacy Incentive	22/02/2017	1,527	47,934	-	-	-	-	-	-	
<b>Executive Members of Investment Committees</b>											
L Boyce	General employee shares	11/12/2013	12	-	-	-	-	12	100%	424	
	Deferred STI shares	9/03/2016	1,100	-	-	-	-	1,100	100%	27,324	
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-	
	Deferred STI shares	22/02/2017	781	20,500	-	-	-	-	-	-	
J Coombe	Restricted shares	9/05/2014	402	-	-	-	-	402	100%	13,929	
	Restricted shares	12/05/2015	462	-	-	-	-	462	100%	16,994	
	Deferred STI shares	9/03/2016	900	-	-	-	-	900	100%	22,359	
	Restricted shares	15/03/2016	671	-	-	-	-	671	100%	16,680	
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-	
	Deferred STI shares	22/02/2017	1,302	34,159	-	-	-	-	-	-	
K Vincent	General employee shares	11/12/2013	12	-	-	-	-	12	100%	424	
	Deferred STI shares	9/03/2016	1,319	-	-	-	-	1,319	100%	32,765	
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-	
	Deferred STI shares	22/02/2017	1,070	28,084	-	-	-	-	-	-	
	Customer Advocacy Incentive	22/02/2017	1,527	47,934	-	-	-	-	-	-	
<b>Former other executive officers</b>											
P Carter	Deferred STI rights	18/02/2015	941	-	-	-	-	941	100%	27,502	
	Deferred STI shares	9/03/2016	3,280	-	-	-	-	3,280	100%	81,483	
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-	
	Deferred STI rights	22/02/2017	3,222	78,432	-	-	-	-	-	-	
K Christie	Deferred STI rights	18/02/2015	886	-	-	-	-	886	100%	25,890	
	Deferred STI shares	9/03/2016	2,431	-	-	-	-	2,431	100%	60,398	
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-	
	Deferred STI shares	22/02/2017	2,397	62,909	-	-	-	-	-	-	
S Martin	General employee shares	11/12/2013	12	-	-	-	-	12	100%	424	
	Deferred STI shares	9/03/2016	497	-	-	-	-	497	100%	12,334	
	General employee shares	14/12/2016	16	475	-	-	-	-	-	-	
	Deferred STI shares	22/02/2017	470	12,338	-	-	-	-	-	-	

<sup>(1)</sup> The following securities have been granted during 2017:

- LTI rights granted to A Hagger in December 2016 under the Group's LTI program. The total fair value of the award is disclosed in the table above. The face value of the LTI award was \$29.17 based on the weighted average share price (WASP) at which NAB shares were traded on the ASX in the five trading days from 5 to 9 December 2016 inclusive. The value of performance rights awarded to A Hagger was \$21.88 after applying the maximum WASP discount (fair value of \$21.65) for Tranche 1 and \$14.59 (fair value of \$10.67) for Tranche 2 in accordance with the Board's policy to limit the number of LTI rights allocated to participants.
- Deferred STI shares or rights granted to eligible executive officers in February 2017 (in respect of the 2016 performance year). The deferred STI shares and deferred STI rights for P Carter are restricted for approximately 14 months after the end of the performance year. The deferred STI rights for A Hagger are granted with half restricted for approximately 14 months after the end of the performance year and the remaining half for approximately 26 months after the end of the performance year.
- General Employee shares granted to eligible executive officers in December 2016. The shares vest after a three-year restriction period.
- Restricted shares granted to M Lawrance in October 2016 are restricted until August 2017. The shares are subject to performance and service conditions.
- Customer Advocacy Incentive shares granted to M Lawrance, D Murphy, G Mulcahy and K Vincent in February 2017. The shares and rights are restricted until December 2018 and are subject to achievement of 2018 NPS targets and service conditions.

<sup>(2)</sup> The following securities have vested during 2017:

- 2014 Tranche 2 deferred STI rights allocated in February 2015, fully vested in December 2016.
- 2015 Tranche 1 deferred STI shares and rights granted in March 2016 fully vested in November 2016.
- Retention shares granted to A Hagger in May 2016 fully vested in January 2017. The shares were restricted for approximately 8 months and subject to achievement of key project deliverables and service conditions which were fully met.
- General Employee Shares granted to eligible executive officers in December 2013, fully vested in December 2016.
- Retention shares allocated to B Marriott in May 2016 fully vested in December 2016. The shares were subject to performance and service conditions which were fully met.
- Restricted shares allocated to J Coombe in May 2014, May 2015 and March 2016, fully vested in February 2017. The value of the award is determined based on business performance for the relevant performance year. The award is granted with approximately 1/3 restricted for 1 year, 1/3 restricted for 2 years and 1/3 for 3 years. The shares are subject to performance and service conditions which were fully met.
- Restricted shares allocated to M Lawrance in October 2016 fully vested in August 2017. The value of the award is determined based on business performance for the relevant performance year. The shares are subject to performance and service conditions which were fully met.

## 2.5 Fair value of securities granted

The grant date fair value of shares and performance rights in the previous tables is calculated in accordance with AASB 2, amortised on a straight line basis over the vesting period and included in each Executive Officer's remuneration for disclosure purposes. The fair value per share and performance right (at grant) are set out below for grants provided to Executive Officers during 2017. No performance options have been granted during the year. Shares and performance rights granted during 2017 have a zero exercise price.

Table 3: Fair value basis

Type of allocation	Grant date	Shares		Performance rights				
		Fair value \$	Restriction period end	WASP (face value) <sup>(1)</sup> \$	Fair value \$	Max. WASP discount amount <sup>(2)</sup> \$	Exercise period From	Exercise period To <sup>(3)</sup>
Restricted Shares <sup>(4)</sup>	28 October 2016	27.75	31 August 2017					
Long-Term Incentive <sup>(5)</sup>	14 December 2016			29.17	21.65	21.88	20 December 2020	15 March 2021
Long-Term Incentive <sup>(6)</sup>	14 December 2016			29.17	10.67	14.59	20 December 2020	15 March 2021
General Employee Share Offer	14 December 2016	29.17	14 December 2019					
Deferred Short-Term Incentive	22 February 2017			26.24	24.34		16 November 2017	16 February 2018
Deferred Short-Term Incentive	22 February 2017			26.24	22.61		16 November 2018	16 February 2019
Deferred Short-Term Incentive	22 February 2017	26.24	16 November 2017					
Customer Advocacy Incentive <sup>(7)</sup>	22 February 2017	31.4	20 December 2018					

<sup>(1)</sup> The face value is the 5 day weighted average share price (WASP) (at the time of the award) used to determine the fair value.

<sup>(2)</sup> The maximum WASP discount amount is the unit value used to determine the number of performance rights allocated to each senior executive. Further detail is available Section 2.4 - LTI to be granted in respect of 2017.

<sup>(3)</sup> The end of the exercise period for each performance rights allocation is also the expiry date.

<sup>(4)</sup> Restricted shares were provided to M Lawrance in respect of his appointment to an acting senior executive role for the Group during 2016 and 2017. The shares are subject to performance and service conditions.

<sup>(5)</sup> Relates to the 2016 LTI cash Return on Equity growth performance hurdle.

<sup>(6)</sup> Relates to the 2016 LTI relative Total Shareholder Return performance hurdle.

<sup>(7)</sup> M Lawrance, G Mulcahy, D Murphy and K Vincent received shares under the Customer Advocacy Incentive award. The shares are subject to achievement of NPS targets and service conditions.

## 2.6 Performance based remuneration

### STI arrangements

STI is a variable (at-risk) component of reward provided to Executive Officers (other than non-executive directors) designed to align delivery of NAB's strategy and shareholder outcomes with annual incentives. STI is determined based on a combination of business and individual performance. An Executive Officer must meet conduct requirements and achieve the expectations of their core role to be eligible for STI.

#### 2017 Group STI

STI pool measures	<ul style="list-style-type: none"> <li>The financial performance of the Group for the purposes of calculating the Group STI pool was determined by a mix of growth in cash earnings (40%), cash return on equity (cash ROE) (30%) and Return on Total Allocated Equity (30%). These financial measures reasonably capture the effects of a number of material risks and together minimise actions that promote short-term results at the expense of longer term business growth and success.</li> <li>At the end of the financial year, the Remuneration Committee, in consultation with the Board Risk Committee, recommended the size of the Group STI pool to the NAB Board, taking into account a qualitative overlay that reflected the Group's management of business risks, shareholder expectations and the quality of the financial results.</li> <li>STI multiples are determined based on the NAB Board approved Group STI pool and the overall performance distribution of all employees participating in the Group STI plan.</li> </ul>
Individual Performance measures	<ul style="list-style-type: none"> <li>An Executive Officer's individual performance is assessed across all performance elements - conduct, core role, risk, stretch goals and values and behaviours. Performance assessment considers whether the Executive Officer has conducted themselves in line with NAB's Code of Conduct; whether they have achieved the core expectations of their role; whether they have met their mandatory risk goal; progress in achieving up to three stretch goals relevant to the employee's role that support delivery of the NAB Group's longer-term strategy; and how they demonstrate NAB's values and behaviours.</li> <li>Performance measures for A Hagger are approved by the NAB Board and for all other eligible Executive Officers by the Trustee Board.</li> <li>Eligible Executive Officers are assigned an overall performance outcome which is approved by the relevant Boards.</li> <li>Eligible Executive Officers who fail the conduct expectations of their role will have their STI reduced in part, or in full, depending on the severity of the issue. No reductions were made to senior executives 2017 STI rewards due to a failure to meet conduct expectations.</li> </ul>
STI reward	<ul style="list-style-type: none"> <li>An individual's actual STI for 2017 reflects their STI target multiplied by the applicable STI multiple for the relevant performance outcome.</li> <li>The total STI provided to all employees of the Group, including eligible Executive Officers, is limited to the size of the funded STI pool linking overall STI rewards paid under the STI plan to Group performance.</li> <li>Depending on an individual's role, either 50% or 75% of the STI will be provided as cash. This portion of the award can be fully or partially forfeited for any reason, by the NAB Board or the Trustee Board, subject to law, until paid in November 2017. The minimum amount is \$0 and the maximum is the amount of the cash component shown in the column: 'Cash STI' in Table 1.</li> <li>The remainder of the STI reward is deferred in shares or performance rights, allocated in December 2017 for A Hagger and scheduled for February 2018 for all other eligible Executive Officers.</li> <li>The minimum amount of the deferred component of the award is \$0 if the award does not vest. The maximum amount for eligible Executive Officers who receive 50% of the STI as equity, is the amount shown in the column: 'Cash STI' in Table 1, if the deferred STI shares or performance rights vest in full, subject to the value of NAB shares at the time of vesting. For eligible Executive Officers who receive 25% of the STI as deferred equity, the amount shown in the column: 'Cash STI' is 75% of the award and remaining 25% of the award is received as deferred equity. The maximum amount of the deferred component is the value of the equity component, subject to the value of NAB shares at the time of vesting if vested in full.</li> </ul>
Deferral and vesting	<ul style="list-style-type: none"> <li>All STI rewards have a deferred element designed to retain Executive Officers, allow for performance assurance and to align with shareholder outcomes.</li> <li>For eligible Executives Officers who received 50% of the STI as deferred performance rights, half of the deferred STI performance rights will be restricted from being exercised and subject to lapsing and performance conditions until November 2018 (Tranche 1), and the remaining half until November 2019 (Tranche 2). If the applicable conditions are met, the performance rights will vest and each performance right will be automatically exercised in return for a NAB ordinary share.</li> <li>For eligible Executives Officers who received 25% of the STI as deferred shares, the deferred STI shares will be restricted from being exercised and subject to lapsing and performance conditions until November 2018.</li> <li>No dividends are received on deferred STI performance rights during the deferral periods.</li> </ul>
Retention of STI	<ul style="list-style-type: none"> <li>If any deferred STI shares or performance rights are retained on cessation of employment (see <b>Lapsing of performance rights and forfeiture of shares</b> below), they remain subject to the performance hurdles and timetable of the award as described above.</li> </ul>



**Customer Advocacy Incentive Award**

Supporting NAB's focus on the customer, some Executive Officers (see Table 2) received a share award during 2017, to motivate and reward them for improving NAB's customer advocacy outcomes. The award is restricted for approximately 2 years and the level of vesting is subject to achievement of Net Promoter Score<sup>(1)</sup> objectives set at the beginning of the performance period as well as service conditions.

The minimum amount of the award is \$0 if the award does not vest. The maximum amount for eligible Executive Officers if the award vests is the amount shown in Table 2, subject to the value of NAB shares at the time of vesting.

**LTI to be granted in respect of 2017**

LTI is provided to some senior executives of the Group to encourage sustainable long-term performance. A Hagger is the only Executive Officer to be granted the 2017 LTI performance rights in December 2017. The key features of the LTI award are:

	<b>Tranche 1 - cash ROE growth</b>	<b>Tranche 2 - relative Total Shareholder Return (TSR)</b>
<b>Performance hurdles</b>	50% of the award is subject to cash ROE growth. NAB's cash ROE Growth is ranked against a peer group of: <ul style="list-style-type: none"> <li>- Australia and New Zealand Banking Group Limited</li> <li>- Commonwealth Bank of Australia</li> <li>- Westpac Banking Corporation</li> </ul> (ROE Peer Group) The cash ROE movement is calculated by comparing the financial reporting year 2017 cash ROE (representing the opening period) and the average cash ROE of the performance periods over the Performance period.	50% of the award is subject to Relative TSR performance relative to a financial services peer group comprising: <ul style="list-style-type: none"> <li>- Australia and New Zealand Banking Group Limited</li> <li>- Commonwealth Bank of Australia</li> <li>- Westpac Banking Corporation</li> <li>- AMP Limited</li> <li>- Bank of Queensland Limited</li> <li>- Bendigo &amp; Adelaide Bank Limited</li> <li>- Suncorp Group Limited</li> </ul> (TSR Peer Group) TSR is calculated by an independent external consultant based on the 30 day volume weighted average share price up to and including the performance period start and end dates.
<b>Performance period</b>	4 years The financial reporting years 2018 to 2021. (ROE Measurement Period)	4 years 14 November 2017 to 14 November 2021
<b>Vesting schedule</b>	Vesting is based on NAB's cash ROE growth ranking against the ROE Peer Group: Ranking: 4th = 0%, 3rd = 25%, 2nd = 50%, 1st = 100%	Vesting based on NAB's TSR result against the TSR Peer Group: 50% vesting at the 50th percentile (or median) on a straight line scale up to 100% vesting at the 75th percentile
<b>Instrument</b>	Performance rights.	
<b>Determining the number of performance rights awarded</b>	The number of performance rights allocated depends on each executives LTI maximum opportunity. A Hagger's LTI maximum opportunity is 100% of fixed remuneration. 50% of the LTI maximum opportunity is divided by the Tranche 1 fair value and 50% of the LTI opportunity is divided by the Tranche 2 fair value. Details of the fair values and the actual number of performance rights that will be granted to A Hagger is shown in Tables 2 and 3. The LTI outcome may range from 0% to 100% of the LTI maximum opportunity.	
<b>Maximum WASP discount limits</b>	Consistent with 2016, a policy applies that limits the total number of performance rights allocated to senior executives under the fair value allocation methodology. The policy limits the maximum discount applied in determining the number of LTI performance rights to be awarded to no more than: <ul style="list-style-type: none"> <li>• 25% of the WASP for Tranche 1 of the LTI award; and</li> <li>• 50% of the WASP for Tranche 2 of the LTI award.</li> </ul> The price then used to determine the number of performance rights to be awarded for each tranche of the LTI award will be the greater of: <ul style="list-style-type: none"> <li>• the WASP calculation outlined above for the relevant tranche; and</li> <li>• the fair value for the relevant tranche.</li> </ul> The maximum discount rate is different for each tranche as the fair value assumptions and inputs are different due to Tranche 1 being linked to an internal performance hurdle and Tranche 2 linked to a market performance hurdle.	

**Lapsing of performance rights and forfeiture of shares**

Unvested deferred shares will be forfeited and performance rights will lapse on the first to occur of the following:

- the Executive Officer resigns;
- the Executive Officer fails to meet the Conduct Gate;
- the NAB Board determines that some or all of the shares will be forfeited on cessation of employment;
- the NAB Board determines that some or all of the shares were allocated in error; or
- the NAB Board, in its absolute discretion and subject to compliance with the law, determines that some or all of the shares will be forfeited.

On cessation of employment, unvested shares that are not forfeited will be retained under the relevant performance conditions and restrictions.

These rules also apply to performance rights which will be lapsed instead of forfeited.

<sup>(1)</sup> Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System 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 and Investors, as well as Small Business (\$0.1m-<\$5m) and Medium Business (\$5m-<\$50m). The Priority segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.

**Malus**

The NAB Board has absolute discretion, subject to compliance with the law, to adjust any STI reward, LTI award and other performance-based components of remuneration downwards, or to zero, to protect the financial soundness of the Group. In addition, the NAB Board may vary vesting of deferred incentives and long-term incentives if the Group's financial performance or risk management have significantly deteriorated over the relevant performance period. A qualitative overlay may be applied that reflects the Group's management of business risks, shareholder expectations and the quality of the financial results. This discretion can be applied at any time and may impact unvested equity awards and performance-based rewards yet to be awarded, whether in cash or equity. In exercising its discretion, the NAB Board will consider whether the rewards are appropriate given later individual or business performance. Malus may apply to any employees across the Group, by Division, by role or individual, depending on circumstances.

In addition, the Trustee Board has absolute discretion, subject to compliance with the law, to adjust or to approve any NAB Board adjustment of any Executive Officer's STI reward, LTI award and other performance-based components of remuneration downwards, or to zero. This discretion can be applied in order to protect the financial position of the RSE licensee, to meet the reasonable expectations of beneficiaries, to respond to significant unexpected or unintended consequences or for the purposes of any other relevant prudential or regulatory matter.

**General employee shares**

An annual share grant up to a target value of \$1,000 of NAB shares are offered to each eligible employee when the Group's performance is on target, measured against a scorecard of objectives for the year. The shares are held on trust, restricted from dealing for three years and are not subject to forfeiture. Potential outcomes for the general employee shares are:

- the minimum and maximum value is the grant value (up to \$1,000);
- the actual value of the shares is dependent on the number of shares awarded and the value of NAB's shares at the time of vesting.

## Section 3

## Table of Key Terms

Term Used	Description
AASB	Australian Accounting Standards Board.
Average equity (adjusted)	Average shareholders' equity, excluding non-controlling interests and other equity instruments, when calculated on a statutory basis. When calculated on a cash earnings basis, Average equity (adjusted) is further adjusted for Treasury shares. Refer to NAB's 2017 Annual Financial Report for more details.
Cash earnings	Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the September 2017 financial year has been adjusted for the following: <ul style="list-style-type: none"> <li>• Distributions.</li> <li>• Fair value and hedge ineffectiveness.</li> <li>• Amortisation of acquired intangible assets.</li> </ul>
Cash return on equity (cash ROE)	Cash earnings after tax expressed as a percentage of Average equity (adjusted), calculated on a cash earnings basis.
Conduct Gate	All employees must satisfy threshold measures for compliance which reflect a range of internal and external regulatory requirements.
Deferred STI rights	Deferred STI rights are restricted for at least one year and may be fully or partially lapsed if individual or business performance warrants. They are provided in respect of prior year(s) performance and are subject to service and performance conditions. See <i>Performance rights</i> below for more details.
Deferred STI shares	Deferred STI shares are NAB ordinary shares, allocated at no charge to the employee, in respect of prior year performance, which provide dividend income to the employee from allocation. The shares are held on trust for a restriction period of at least one year, during which the shares are restricted from trading and may be fully or partially forfeited if individual or business performance warrants. The shares will be forfeited if the participant fails to meet the Conduct Gate, or if they resign or are dismissed before the end of the shares' relevant restriction period. Generally, the shares may be retained on cessation of employment in other circumstances.
Executive Officer	Key person who is concerned, or takes part, in the management of the Trustee, including any director (whether executive or non-executive) as defined in the SIS Act. For the purposes of this document, the Trustee has determined the Executive Officers to be each director of the Trustee, the Chief Operating Officer of the Office of the Trustee and the employees of a company within the Group named in this document.
Face value	The face value of each performance right is determined by the market value of a NAB share. NAB generally uses a five day weighted average share price to determine the face value at grant and on allocation.
Fair value	The value of the awards provided are measured by reference to the grant date fair value of the shares and performance rights provided to employees. The expense for each tranche of shares or performance rights granted is recognised in the income statement on a straight-line basis, adjusted for forfeitures, over the period that the awards provided are received (the vesting period), with a corresponding increase in the equity-based compensation reserve. The grant date fair value of each share is determined by the market value of NAB shares, and is generally a five day weighted average share price. <p>Employee share plans and performance rights are linked to internal performance, market performance and/or service conditions. The fair value of the shares and performance rights with market performance hurdles is determined using a simulated version of the Black-Scholes model. The key assumptions and inputs used in the valuation model include the NAB share price at the time of grant, exercise price of the performance rights (which is nil), the expected volatility of NAB's share price, the risk-free interest rate and the expected dividend yield on NAB shares for the life of the performance rights. When estimating expected volatility, historic daily share prices are analysed to arrive at annual and cumulative historic volatility estimates (which may be adjusted for any abnormal periods or non-recurring significant events). Trends in the data are analysed to estimate volatility movements in the future for use in the numeric pricing model. The simulation takes into account both the probability of achieving market performance conditions and the potential for early exercise of vested performance rights. While market performance conditions are incorporated into the grant date fair values, non-market conditions are not taken into account when determining the fair value and expected time to vesting of shares and performance rights. Instead, non-market conditions are taken into account by adjusting the number of shares and performance rights included in the measurement of the expense so that the amount recognised in the income statement reflects the number of shares or performance rights that actually vest.</p>
Long-term incentive (LTI)	An 'at risk' opportunity for individuals linked to the long-term performance of the Group. LTI is allocated under the Group's LTI program in the form of performance rights.
LTI performance rights (or LTI rights)	An LTI performance right is a performance right granted under an LTI plan which is subject to long-term performance hurdles. See <i>Performance rights</i> below for more details.
NAB's values	NAB's values are key in driving the Group's aspirational culture. They are guiding principles that can inspire employees to meet the needs of customers and achieve the Group's strategy. They are: Passion for Customers; Win together; Be Bold; Respect for people; Do the Right thing.
Net Promoter Score (NPS)	Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution for retail or business banking. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.
Performance rights	A performance right, such as an LTI performance right, is a right to acquire one NAB ordinary share, once the performance right has vested based on achievement of the related performance hurdle or at the NAB Board's discretion. Each performance right entitles the holder to be provided with one NAB ordinary share subject to adjustment for capital actions. A performance right is issued at no charge to the employee and there is no exercise price to be paid to exercise the performance right. Performance rights may be used instead of shares due to jurisdictional reasons including awards such as deferred STI, commencement and other retention programs. <p>The terms and conditions, including lapsing, will vary for each particular grant. Performance rights are issued by NAB under the National Australia Bank Performance Rights Plan. The design of the performance rights plan (and the expected outcome for Executive Officers) seeks to comply with the ASX Corporate Governance Principles and Recommendations, and those set out in the Investment and Financial Services Association's (IFSA) 'Executive Equity Plan Guidelines', Guidance Note 12. The main departure from the IFSA guidelines is that performance rights issued by NAB have no exercise price. Shares will be issued or transferred under the National Australia Bank Staff Share Ownership Share Plan on exercise of performance rights. No dividend income is provided to the employee until the end of the restriction period and the performance conditions have been met and the performance rights are exercised.</p>
Return on Total Allocated Equity (ROTAE)	ROTAE is a function of cash earnings, combined divisional Risk Weighted Assets (and by capital adequacy for Wealth Management) and target regulatory capital ratios.

# 2017

<b>Term Used</b>	<b>Description</b>
Short-term incentive (STI)	An 'at risk' opportunity for individuals to receive an annual performance-based reward. The actual STI reward that an individual will receive in any particular year will reflect both business and individual performance.
Total Shareholder Return (TSR)	Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' securities over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute size of the TSR will vary with stock markets, but the relative position reflects the market perception of overall performance relative to a reference group.

