



2015 Executive Officer Remuneration Disclosures

PFS Nominees Pty Limited

January 2016

1. Introduction

This document is designed to provide stakeholders with details about Executive Officer remuneration for PFS Nominees Pty Ltd ABN16 082 026 480 ("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 SIS Regulations.

The Trustee's financial year is from 1 October to 30 September. The financial year ended 30 September 2015 is referred to as 2015 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 2015. It provides remuneration disclosures for 2015, with 2014 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". PFS Nominees Pty Ltd, is a wholly owned subsidiary of NAB.

The Group has three companies which act as the trustee of a registrable superannuation entity regulated by the Act and SIS Regulations. The Trustee is one of these and the others are MLC Nominees Pty Ltd ABN 93 002 814 959 and NULIS Nominees (Australia) Limited ABN 80 008 515 633 (referred to as "Group Trustees" or "Group Trustee").

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 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". As mentioned in that section, as these Executive Officers also perform their role for both of the other two Group Trustees, the amounts disclosed reflect the proportion of remuneration received for work performed for the Trustee.
- The amounts disclosed for the Chief Operating Officer, PFS Nominees Pty Ltd are the actual (specified) amounts received for this role. As the Chief Operating Officer also performs work for the other two Group Trustees, the amounts disclosed reflect the proportion of remuneration received for work performed for the Trustee.
- The remaining Executive Officers, perform work for the Trustee and work for other Group entities (other than the Group Trustees) 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. This has been determined by first applying a percentage to the Executive Officer's total remuneration to determine the proportion of remuneration attributable to the Group Trustees and other Group entities. This percentage is calculated by comparing the funds under management by the three Group Trustees (including the Trustee) to the total funds under management by NAB Wealth 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 Group Trustees and the other Group entities.

Where an Executive Officer performs work for both the Trustee and one or both of the other Group Trustees, the remuneration amounts disclosed represent the proportion of remuneration received for work performed for the Trustee. This apportionment is determined by reference to the funds under management by each Group Trustee.

2. Executive Officer Arrangements

Executive Officer contractual arrangements

This section outlines details of contractual arrangements negotiated or renegotiated involving an Executive Officer. No contractual arrangements were negotiated or renegotiated during 2015 between the Trustee and an Executive Officer.

How Executive Officer remuneration is determined

A single Trustee Board covering all three Group Trustees has been established, and each director is a director of each of the three Group Trustees. A director's fee is set by the NAB Board for each non-executive director to perform the role undertaken for the Group 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 Group Trustees, the activities of the Group Trustees and the responsibilities and workload requirements of directors of the Group Trustees. In addition, the NAB Board annually reviews the fees paid to the Chair and non-executive directors on the Group 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 annually. In setting an individual's remuneration the Group considers:

- Market data from comparable roles at the Group's direct competitors in Australia and overseas where appropriate;
- Individual and Group performance over the last year;
- Input from NAB Board's Remuneration Committee (the Remuneration Committee) and management on the target remuneration for individuals;
- Internal relationships; and
- General remuneration market environment and trends.

PFS Nominees Pty Ltd

2.1 Statutory remuneration data for Executive Officers

The following table has been prepared in accordance with the SIS Act and Regulations. It shows details of the nature and amount of each element of remuneration paid or awarded for services provided for the year (including 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 2015 unless specified.

Table 1: Statutory remuneration data

		Short-term benefits			Post employment benefits		Equity based benefits				Total ⁽⁶⁾
		Cash salary ⁽¹⁾	Cash STI ⁽²⁾	Non-monetary ⁽³⁾	Super-annuation ⁽⁴⁾	Other long-term benefits ⁽⁵⁾	Shares ⁽⁶⁾		Rights ⁽⁷⁾		
							Other grants	LTI	Deferred STI	LTI	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors⁽⁹⁾											
N Smith	2015	58,733	-	-	5,507	-	-	-	-	-	64,240
	2014	44,757	-	-	3,995	-	-	-	-	-	48,752
M Clancy ⁽¹⁰⁾	2015	44,672	-	-	4,244	-	-	-	-	-	48,916
	2014	29,141	-	-	2,714	-	-	-	-	-	31,855
E Horton	2015	37,358	-	-	3,549	-	-	-	-	-	40,907
	2014	9,458	-	-	892	-	-	-	-	-	10,350
T Hunt	2015	46,586	-	-	4,411	-	-	-	-	-	50,997
	2014	35,513	-	-	2,952	-	-	-	-	-	38,465
T McCredden	2015	42,033	-	-	3,993	-	-	-	-	-	46,026
	2014	10,034	-	-	946	-	-	-	-	-	10,980
P O'Neal	2015	37,566	-	-	3,569	-	-	-	-	-	41,135
	2014	32,435	-	-	3,020	-	-	-	-	-	35,455
J Reid	2015	36,884	-	-	3,504	-	-	-	-	-	40,388
	2014	26,024	-	-	2,423	-	-	-	-	-	28,447
Other executive officers											
P Carter	2015	87,868	97,224	-	3,798	986	15,188	-	14,218	19,302	238,584
	2014	64,859	15,931	-	2,694	666	779	(7,352)	17,332	6,612	101,522
K Christie	2015	68,826	57,936	-	3,052	1,088	9,100	-	10,363	14,525	164,890
	2014	48,179	11,670	-	2,096	797	53	-	12,696	918	76,409
A Hagger	2015	166,293	101,159	902	3,107	1,970	9,754	-	66,876	99,162	449,223
	2014	106,188	25,933	6,843	2,116	1,172	1,112	(27,711)	33,334	29,676	178,663
M Lawrance	2015	77,273	70,811	14	3,077	1,246	11,073	22	10,188	13,465	187,169
	2014	45,587	11,378	10	2,095	747	25	100	11,974	7,046	78,962
B Marriott	2015	76,055	30,054	2,121	5,795	1,344	6,992	229	-	-	122,590
	2014	55,152	7,331	1,573	4,430	1,025	4,019	347	-	-	73,877
S Martin (part year) ⁽¹¹⁾	2015	6,409	11,104	44	571	72	475	19	-	-	18,694
D Murphy	2015	63,858	25,290	14	3,050	2,211	3,976	-	8,781	13,703	120,883
	2014	44,528	9,984	10	2,095	1,560	381	(5,582)	10,764	4,534	68,274
Members of the MLC Nominees and PFS Nominees Investment Committee⁽¹²⁾											
L Boyce (part year)	2015	35,235	32,599	-	2,015	565	3,981	68	-	-	74,463
I Patrick (part year)	2015	35,528	40,879	-	3,709	643	14,802	-	-	-	95,561
Former non-executive director											
R Rassi (part year) ⁽⁹⁾	2014	18,323	-	-	1,695	-	-	-	-	-	20,018
Former other executive officer											
A Morgan (part year) ⁽¹¹⁾	2015	34,941	15,174	667	3,810	420	3,480	101	-	-	58,593
	2014	31,431	6,224	623	2,243	332	2,758	169	-	-	43,780
Former members of the Investment & Product Governance Committee⁽¹³⁾											
P Fog (part year)	2015	1,251	-	-	119	-	-	-	-	-	1,370
	2014	3,740	-	-	348	-	-	-	-	-	4,088
A Gale (part year)	2015	1,251	-	-	119	-	-	-	-	-	1,370
	2014	505	-	-	48	-	-	-	-	-	553
P Gupta (part year)	2014	2,859	-	-	265	-	-	-	-	-	3,124
G Miller (part year)	2015	1,251	-	-	119	-	-	-	-	-	1,370
	2014	3,740	-	-	348	-	-	-	-	-	4,088
R Morath (part year)	2015	1,251	-	-	119	-	-	-	-	-	1,370
	2014	505	-	-	48	-	-	-	-	-	553
J Sommer (part year)	2014	19,645	-	-	1,539	336	419	23	-	-	21,962
D Thomas (part year)	2015	8,679	-	163	715	-	822	-	332	1,148	11,859
	2014	36,100	6,199	623	2,555	342	4,187	23	2,593	518	53,140
Total executive officers	2015	969,801	482,230	3,925	61,952	10,545	79,643	439	110,758	161,305	1,880,598
	2014	668,703	94,650	9,682	41,557	6,977	13,734	(39,983)	88,693	49,304	933,317

PFS Nominees Pty Ltd

- ⁽¹⁾ Includes fees, cash salary, cash allowances and short-term compensated absences, such as annual leave entitlements accrued but not taken during the year.
- ⁽²⁾ The cash component of the STI received in respect of 2015 was paid on 18 November 2015. The amount reflects 50% of the STI provided to Mr Hagger and 75% of the STI to be provided to other eligible executive officers. The actual STI received is dependent on business and individual performance. The 2015 STI awarded (cash and equity component) as a percentage of STI target was: L Boyce 120%, P Carter 160%, K Christie 140%, A Hagger 120%, M Lawrance 160%, B Marriott 140%, S Martin 140%, A Morgan 100%, D Murphy 100% and I Patrick 125%. The minimum and maximum value for the cash component is what was actually paid in 2015. There has been no alteration of terms and conditions of the cash component of the STI prior to payment. No cash STI has been forfeited due to failure to meet service or performance criteria during 2015.
- ⁽³⁾ Includes motor vehicle benefits, parking and other benefits. Any related fringe benefits tax is included.
- ⁽⁴⁾ Includes relevant employer 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.
- ⁽⁵⁾ 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.
- ⁽⁶⁾ 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 Fair value basis definition in the Table of key terms. Amounts shown for 2015 include portions of shares allocated under employee programs as follows:
- The 2011, 2012, 2013, 2014 and 2015 General Employee Offer shares granted to eligible Executive Officers at the relevant offer times. The shares vest after a three year restriction period.
 - The 2011 and 2012 Restricted Share Plan shares granted to eligible Executive Officers at the relevant offer times. The shares vest after a three year restriction period (subject to forfeiture conditions) (see "Lapsing & Forfeiture" in [section 2.4](#)).
 - 2012 and 2013 deferred STI shares allocated in November 2012 and February 2014, respectively. Half of the grant vests 12 months after the date of allocation and the remaining half 24 months after the date of allocation for some Executive Officers. Tranche 2 of the 2012 and Tranche 1 of the 2013 deferred STI shares vested in November 2014 and December 2014, respectively. Forfeiture conditions apply during the deferral period.
 - LTI shares granted to Mr Patrick in May 2015. The shares were granted in 3 equal tranches, with Tranche 1 vesting approximately 8 months after the date of the allocation, Tranche 2 at 20 months and Tranche 3 at 32 months.
 - Retention shares granted to Mr Miller in May 2015. The shares are restricted for 8 months and subject to the achievement of key project deliverables and service conditions.
 - Retention shares granted to Mr Hagger in September 2015. The shares are restricted for 8 months and subject to the achievement of key project deliverables and service conditions.
 - 2014 and 2015 deferred STI shares allocated in February 2014 and to be allocated by March 2015, respectively. The shares will vest approximately 14 months after the end of the performance year, 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 Fair value basis definition in the Table of key terms. Amounts shown for 2015 include portions of performance rights allocated under employee programs, as shown below:
- Deferred STI performance rights granted in February 2014, February 2015 and to be granted in February 2016. The 2013, 2014 and 2015 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.
 - LTI performance rights granted in December 2011, December 2012, December 2013, December 2014 and December 2015 for eligible Executive Officers. The 2011 grant did not meet the performance hurdles and was fully lapsed on 30 September 2014. The amount includes a reversal for 50% of the grant date fair value of the allocation in line with AASB 2.
- ⁽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 prorated for the relevant period as an executive officer.
- ⁽⁹⁾ The Trustee paid National Wealth Services Limited an amount in 2015 in relation to remuneration paid to non-executive directors. The amount is a proportion of the 2015 Total shown for each non-executive director, as agreed between the Trustee and National Wealth Management Services Limited. The amounts were N Smith \$58,695, M Clancy \$39,146, E Horton \$36,912, T Hunt \$46,128, T McCredden \$36,055, P O'Neal \$35,507 and J Reid \$30,457.
- ⁽¹⁰⁾ Mr Clancy ceased as a non-executive director on 15 December 2015. No termination payments were made to Mr Clancy on separation.
- ⁽¹¹⁾ Ms Morgan ceased as an Executive Officer on 20 July 2015 and remains employed by NAB. Mr Martin commenced in the General Manager Audit, NAB Wealth role from 21 July 2015 and became an Executive Officer from this date.
- ⁽¹²⁾ From 1 January 2015, the MLC Nominees and PFS Nominees Investment Committee replaced the Investment and Product Governance Committee (IPGC). Ms Boyce and Mr Patrick commenced as executive committee members of the MLC Nominees and PFS Nominees Investment Committee from 10 March 2015. Mr Patrick ceased as an executive member of the MLC Nominees and PFS Nominees Investment Committee and as an employee of the Group on 20 November 2015. No termination payments were made to Mr Patrick on separation.
- ⁽¹³⁾ The Investment Product Governance Committee ceased on 1 January 2015 and members also ceased as executive committee members on this date, except for Mr Thomas who ceased as an executive committee member on 5 December 2014 and was an Executive Officer for the period 1 October 2014 to 5 December 2014. All other former members of the IPGC were Executive Officers for the period 1 October 2014 to 1 January 2015.

PFS Nominees Pty Ltd

2.2 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 2015. 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 greater than one year. No amounts are paid by Executive Officers for the grant of shares and performance rights. Executive Officers do not receive dividends on performance rights. Shares and performance rights have no exercise price. There have been no alterations of the terms or conditions of any current grants since the grant date.

Table 2: Value of shares and performance rights

		Grant date	Granted ⁽¹⁾ No.	Granted \$	Lapsed ⁽²⁾ No.	Lapsed ⁽⁴⁾ %	Lapsed \$	Vested ⁽³⁾ No.	Vested ⁽⁴⁾ %	Vested \$
For the year ended 30 September 2015										
Other executive officers										
P Carter	Deferred STI rights	7/11/2012	599	-	-	-	-	599	19%	13,128
	Deferred STI rights	19/02/2014	417	-	-	-	-	417	19%	13,677
	LTI rights	10/12/2014	2,041	28,597	-	-	-	-	0%	-
	Deferred STI rights	18/02/2015	727	21,877	-	-	-	-	0%	-
K Christie	General employee shares	14/12/2011	6	-	-	-	-	6	15%	150
	Deferred STI rights	7/11/2012	472	-	-	-	-	472	15%	10,347
	Deferred STI rights	19/02/2014	284	-	-	-	-	284	15%	9,314
	LTI rights	10/12/2014	1,575	22,073	-	-	-	-	0%	-
	Deferred STI rights	18/02/2015	550	16,556	-	-	-	-	0%	-
A Hagger	Deferred STI rights	7/11/2012	1,259	-	-	-	-	1,259	15%	27,591
	LTI rights	10/12/2014	10,939	153,274	-	-	-	-	0%	-
	Deferred STI rights	18/02/2015	1,223	36,788	-	-	-	-	0%	-
	Deferred STI rights	19/02/2014	937	-	-	-	-	937	15%	30,694
	Retention shares	2/09/2015	2,729	84,303	-	-	-	-	0%	-
M Lawrance	General employee shares	14/12/2011	6	-	-	-	-	6	15%	150
	RSP shares	14/12/2011	19	-	-	-	-	19	15%	457
	Deferred STI rights	7/11/2012	445	-	-	-	-	445	15%	9,759
	Deferred STI rights	19/02/2014	284	-	-	-	-	284	15%	9,314
	LTI rights	10/12/2014	1,477	20,694	-	-	-	-	0%	-
	Deferred STI rights	18/02/2015	537	16,146	-	-	-	-	0%	-
S Martin	General employee shares	14/12/2011	6	-	-	-	-	6	15%	150
	RSP shares	14/12/2011	19	-	-	-	-	19	15%	457
	STI deferred shares	19/02/2014	41	-	-	-	-	41	15%	1,414
	General employee shares	10/12/2014	5	149	-	-	-	-	0%	-
	STI deferred shares	18/02/2015	38	1,265	-	-	-	-	0%	-
B Marriott	General employee shares	14/12/2011	12	-	-	-	-	12	29%	285
	RSP shares	14/12/2011	36	-	-	-	-	36	29%	870
	STI deferred shares	19/02/2014	206	-	-	-	-	206	29%	7,088
	General employee shares	10/12/2014	9	284	-	-	-	-	0%	-
	STI deferred shares	18/02/2015	98	3,226	-	-	-	-	0%	-
D Murphy	Deferred STI rights	7/11/2012	491	-	-	-	-	491	15%	10,763
	Deferred STI rights	19/02/2014	232	-	-	-	-	232	15%	7,587
	LTI rights	10/12/2014	1,444	20,235	-	-	-	-	0%	-
	Deferred STI rights	18/02/2015	471	14,167	-	-	-	-	0%	-
Member of the MLC Nominees and PFS Nominees Investment Committee										
L Boyce	General employee shares	14/12/2011	8	-	-	-	-	8	19%	186
	RSP shares	14/12/2011	23	-	-	-	-	23	19%	568
	STI deferred shares	19/02/2014	220	-	-	-	-	220	19%	7,587
	General employee shares	10/12/2014	6	185	-	-	-	-	0%	-
	STI deferred shares	18/02/2015	125	4,118	-	-	-	-	0%	-

PFS Nominees Pty Ltd

		Grant date	Granted ⁽¹⁾		Lapsed ⁽²⁾			Vested ⁽³⁾		Vested ⁽⁴⁾
			No.	\$	No.	%	\$	No.	%	
I Patrick	Retention shares	23/05/2012	263	-	-	-	-	263	19%	6,028
	Retention shares	20/02/2013	213	-	-	-	-	213	19%	6,226
	STI deferred shares	19/02/2014	284	-	-	-	-	284	19%	9,780
	Retention shares	9/05/2014	183	-	-	-	-	183	19%	6,353
	STI deferred shares	18/02/2015	463	15,219	-	-	-	-	0%	-
	Retention shares	12/05/2015	581	21,371	-	-	-	-	0%	-
Former other executive officer										
A Morgan	General employee shares	14/12/2011	6	-	-	-	-	6	15%	150
	RSP shares	14/12/2011	19	-	-	-	-	19	15%	457
	STI deferred shares	19/02/2014	141	-	-	-	-	141	15%	4,871
	General employee shares	10/12/2014	5	149	-	-	-	-	0%	-
	STI deferred shares	18/02/2015	90	2,943	-	-	-	-	0%	-
Former member of the Investment & Product Governance Committee										
P Fog	General employee shares	14/12/2011	12	-	-	-	-	12	29%	285
	RSP shares	14/12/2011	36	-	-	-	-	36	29%	870
	STI deferred shares	19/02/2014	551	-	-	-	-	551	29%	18,971
	General employee shares	10/12/2014	9	284	-	-	-	-	0%	-
	STI deferred shares	18/02/2015	266	8,756	-	-	-	-	0%	-
G Miller	Deferred STI rights	7/11/2012	908	-	-	-	-	908	29%	19,891
	STI deferred shares	19/02/2014	482	-	-	-	-	482	29%	16,578
	General employee shares	10/12/2014	9	284	-	-	-	-	0%	-
	STI deferred shares	18/02/2015	448	14,737	-	-	-	-	0%	-
	Retention shares	12/05/2015	477	17,527	-	-	-	-	0%	-
D Thomas	Deferred STI rights	7/11/2012	452	-	-	-	-	452	15%	9,897
	LTI rights	12/12/2012	1,734	-	(1,734)	15%	(17,244)	-	0%	-
	STI deferred shares	19/02/2014	287	-	-	-	-	287	15%	9,895
	General employee shares	10/12/2014	5	149	-	-	-	-	0%	-

⁽¹⁾ The following securities have been granted during 2015:

- LTI performance rights allocations granted to eligible executive officers in December 2014 (in respect of the 2014 performance year).
- General Employee Share Offer granted to eligible executive officers in December 2014.
- Deferred STI shares or performance rights allocations granted to eligible executive officers in February 2015 (in respect of the 2014 performance year).
- Retention shares granted to Mr Patrick and Mr Miller in May 2015.
- Retention shares granted to Mr Hagger in September 2015.

⁽²⁾ The following securities have been lapsed during 2015:

- 2012 LTI performance rights granted to Mr Thomas in December 2012, were fully forfeited on cessation of employment.

⁽³⁾ The following securities have been vested during 2015:

- 2011 RSP shares fully vested in December 2014.
- 2011 General Employee Share Offer fully vested in December 2014.
- 2012 Tranche 2 deferred STI performance rights allocated in November 2012, fully vested in November 2014 for eligible executive officers.
- 2012 and 2013 Recognition shares awarded in May 2012 and February 2013 respectively, fully vested in January 2015 for Mr Patrick.
- 2014 Recognition shares awards in May 2014 fully vested in February 2015 for Mr Patrick.
- 2014 Tranche 1 Deferred STI shares or performance rights allocated in February 2014, fully vested in December 2014.

⁽⁴⁾ The percentage shown is the proportion of the total grant attributable to the Trustee. The percentage of vesting and/or lapsing of the total grant issued by NAB, is detailed in footnotes 2 and 3 above.

PFS Nominees Pty Ltd

2.3 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 senior executive's remuneration for disclosure purposes. The fair value per share and performance right (at grant) are set out below for grants provided to senior executives during 2015. No performance options have been granted during the year. Shares and performance rights granted during 2015 have a zero exercise price.

Table 3: Fair value basis

Type of allocation	Grant date	Shares		Performance rights		
		Fair value \$	Restriction period end ⁽²⁾	Fair value \$	Exercise period From	Exercise period To ⁽¹⁾
Deferred Short-Term Incentive	18 February 2015			\$31.00	17 December 2015	15 March 2017
Deferred Short-Term Incentive	18 February 2015			\$29.23	17 December 2016	15 March 2017
Deferred Short-Term Incentive	18 February 2015	\$32.88	17 December 2015			
Long Term Incentive	10 December 2014			\$15.14	21 December 2018	15 March 2020
Long Term Incentive	10 December 2014			\$13.04	21 December 2018	15 March 2020
General Employee Offer	10 December 2014	\$32.40	10 December 2017			
Long-Term Incentive ⁽³⁾	12 May 2015	\$36.78	1 February 2016			
Long-Term Incentive ⁽³⁾	12 May 2015	\$36.78	1 February 2017			
Long-Term Incentive ⁽³⁾	12 May 2015	\$36.78	1 February 2018			
Retention ⁽⁴⁾	12 May 2015	\$36.78	31 January 2016			
Retention ⁽⁵⁾	2 September 2015	\$30.89	1 May 2016			

⁽¹⁾ The end of the exercise period for each performance rights allocation is also the expiry date.

⁽²⁾ Shares vest at the end of the restriction period end date.

⁽³⁾ Mr Patrick received a long-term incentive award in May 2015.

⁽⁴⁾ A retention award for Mr Miller was approved by the relevant Boards during 2015.

⁽⁵⁾ A retention award for Mr Hagger was approved by the Principal Board during 2015.

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2.4 Performance-based remuneration

2015 short-term incentive arrangements for senior executives	
Purpose	<ul style="list-style-type: none"> STI is a variable (at-risk) component of reward designed to: <ul style="list-style-type: none"> Align annual employee rewards to business performance and sustainable returns for shareholders Instil an appropriate focus on business performance beyond the current year and allow for alignment with risk outcomes, through deferring a component of the STI reward Appropriately capture the business risks related to achievement of business outcomes and reflect these in variable rewards.
STI pool Impact of Group performance on STI rewards	<ul style="list-style-type: none"> The financial performance of the Group for the purposes of calculating the STI pool was determined by a mix of growth in cash earnings (40%), ROE (30%) and ROTAE (30%). These measures reasonably capture the effects of a number of material risks and minimise actions that promote short-term results at the expense of longer term business growth and success. At the end of the performance period, the Committee, in consultation with NAB's Board Risk Committee, recommended the size of the 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. STI multiples are determined based on the STI pool and the overall performance distribution of all employees participating in the STI plan.
Performance measures Impact of individual performance on STI rewards	<ul style="list-style-type: none"> Performance measures for the Group Executive NAB Wealth are approved by the NAB Board and for all other eligible Executive Officers by the Boards The performance of each eligible Executive Officer is reviewed against their performance measures, demonstration of Our Values and risk management. Eligible Executive Officers are assigned an overall performance outcome which is approved by the relevant boards. Eligible Executive Officers who fail the compliance expectations of their role will have their STI reduced in part, or in full, depending on the severity of the breach. No reductions were made to senior executives 2015 STIs due to not meeting compliance expectations.
STI reward	<ul style="list-style-type: none"> An individual's actual STI for 2015 reflects their STI target multiplied by the applicable STI multiple for the relevant performance outcome. The total STI paid to all employees of the Group, including eligible Executive Officers, is limited to the size of the funded STI pool linking overall STIs paid under the STI plan to Group performance. 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, subject to law, until paid in November 2015. The minimum amount is \$0 and the maximum is the amount of the cash component shown in the column: 'Cash STI' in Table 1. The remainder of the award is deferred in shares or performance rights, scheduled for allocation in March 2016. 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 are released 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 equity, the maximum amount is one third of the amount shown in the column: 'Cash STI' in Table 1, subject to the value of NAB shares at the time of vesting if released in full.
Deferral and vesting	<ul style="list-style-type: none"> Deferral applies to any STI to retain Executive Officers, allow for performance assurance, and align with shareholder outcomes. 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 for approximately 14 months following the end of 2015 (Tranche 1), and the remaining half for approximately 26 months (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. 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 for approximately 14 months following the end of 2015. No dividends are received on deferred STI performance rights during the deferral periods.
Retention of STI	<ul style="list-style-type: none"> If any deferred STI shares or performance rights are retained on cessation of employment (see Forfeiture and lapsing of performance rights below), they remain subject to the performance hurdles and timetable of the award as described above.

PFS Nominees Pty Ltd

2015 long-term incentive arrangements									
Purpose	LTI rewards help to align management decisions with the long-term prosperity of the Group through the use of challenging performance hurdles supporting the Group's strategy and shareholder returns.								
LTI value	LTI is provided as performance rights. Mr Hagger is the only Executive Officer to receive the 2015 LTI. The value of the LTI award is 100% of fixed remuneration.								
LTI award	<ul style="list-style-type: none"> The LTI grant will be provided in two equal tranches of performance rights. The number of performance rights in each tranche will be based on the following formula: $\frac{\text{tranche value (which is half of LTI value)}}{\text{estimated fair value of each performance right}}$ The estimated fair value determined by an independent external consultant will be based on the weighted average share price (WASP) at which NAB shares are traded on the ASX in the five trading days from 30 November 2015 to 4 December 2015 inclusive. The estimated fair value also takes into account the fact that dividends are not payable in relation to performance rights until the performance rights vest and are exercised. The probability of the performance hurdle being reached is also taken into consideration. As a result, given the performance hurdles for each tranche differ, the fair value of a performance right in Tranche 1 and therefore the number of performance rights in Tranche 1 may be different from the fair value and number of performance rights in Tranche 2. A reasonable estimate of the face value of the LTI award on grant date can be determined based on the number of performance rights in each tranche multiplied by the WASP. 								
Life of LTI award	<ul style="list-style-type: none"> Scheduled to be granted in December 2015 for eligible Executive Officers, in two equal tranches. The LTI performance rights have a minimum life of approximately 4 years from December 2015. (Re-testing will not apply to LTI grants awarded from December 2015.) Any unexercised LTI performance rights lapse after the end of the performance period. 								
Performance hurdles	<ul style="list-style-type: none"> The performance hurdles measure NAB's relative Total Shareholder Return (TSR) performance against two different peer groups over the performance period: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">For Tranche 1 (50% of grant value)</th> <th style="text-align: left;">For Tranche 2 (50% of grant value)</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> The S&P/ASX Top 50 Index as at 1 October 2015. There is no substitution for de-listed companies during the performance period. TSR is calculated as the value of the relevant shares on the start date and the end date of the relevant performance period, based on the volume weighted average price of those shares over the 30 trading days up to and including the relevant date. </td> <td> <ul style="list-style-type: none"> The Top Financial Services companies (listed at www.nabgroup.com). </td> </tr> </tbody> </table> 	For Tranche 1 (50% of grant value)	For Tranche 2 (50% of grant value)	<ul style="list-style-type: none"> The S&P/ASX Top 50 Index as at 1 October 2015. There is no substitution for de-listed companies during the performance period. TSR is calculated as the value of the relevant shares on the start date and the end date of the relevant performance period, based on the volume weighted average price of those shares over the 30 trading days up to and including the relevant date. 	<ul style="list-style-type: none"> The Top Financial Services companies (listed at www.nabgroup.com). 				
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Performance hurdle testing and vesting	<ul style="list-style-type: none"> The performance hurdles for Tranche 1 and Tranche 2 will be assessed separately and therefore both hurdles do not need to be satisfied for some of the LTI performance rights to vest. The performance hurdles are initially assessed over a four year period from 9 November 2015 to 10 November 2019. The percentage of vesting is determined based on: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">NAB TSR result</th> <th style="text-align: left;">Vesting outcome</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile of peer group</td> <td>0% vesting</td> </tr> <tr> <td>Between 50th percentile and 75th percentile</td> <td>50% plus 2% for every additional percentile above the 50th percentile (rounded to the nearest whole percentile)</td> </tr> <tr> <td>75th percentile or greater</td> <td>100% vesting</td> </tr> </tbody> </table> Any LTI performance right that vests will be automatically exercised in return for one NAB ordinary share. During the restriction period the rights will lapse if the senior executive fails to meet the Compliance Gateway. Any LTI performance rights that do not vest will lapse. The NAB Board will assess TSR performance and the proportion of vesting in its absolute discretion, subject to compliance with law. The minimum amount of the award is \$0 if the award does not vest and the maximum amount is the total number of units awarded, subject to the value of NAB shares at the time of vesting. 	NAB TSR result	Vesting outcome	Less than 50 th percentile of peer group	0% vesting	Between 50 th percentile and 75 th percentile	50% plus 2% for every additional percentile above the 50 th percentile (rounded to the nearest whole percentile)	75 th percentile or greater	100% vesting
NAB TSR result	Vesting outcome								
Less than 50 th percentile of peer group	0% vesting								
Between 50 th percentile and 75 th percentile	50% plus 2% for every additional percentile above the 50 th percentile (rounded to the nearest whole percentile)								
75 th percentile or greater	100% vesting								
Retention of LTI	<ul style="list-style-type: none"> If an Executive Officer ceases employment before 21 December 2019 and the NAB Board has not exercised its discretion to lapse the LTI performance rights on cessation of employment (see Forfeiture and lapsing of deferred shares and performance rights below), some or all of the performance rights are retained based on the elapsed period of service during the four year performance period. Any performance rights that do not lapse remain subject to the performance hurdles and timetable of the award as described above. 								

PFS Nominees Pty Ltd

Forfeiture and lapsing of deferred shares and performance rights

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

- The Executive Officer resigns;
- The Executive Officer fails to meet the Compliance Gateway;
- The NAB Board determining that some or all of the shares will be forfeited or performance rights will lapse on cessation of employment; 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 or performance rights will lapse.

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

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 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 vesting 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 and / or individual, depending on circumstances.

Conditions for retaining securities

In the majority of cases, securities only vest as a result of achieving the relevant performance hurdle.

In relation to certain events, including a takeover or scheme of arrangement, the NAB Board has discretion to allow holders to exercise securities regardless of the normal criteria and the restriction period on the securities would end.

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.

PFS Nominees Pty Ltd

3. Table of key terms

The following key terms and abbreviations are used in the remuneration disclosures.

Term Used	Description
Cash earnings	Cash earnings is defined as Net profit attributable to owners of NAB, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. In September 2015 cash earnings has been adjusted for the following: <ul style="list-style-type: none"> – Distributions – Treasury shares – Fair value and hedge ineffectiveness – Life insurance economic assumption variation – Amortisation of acquired tangible assets – Sale and demerger transaction costs.
Cash Return on Equity (ROE)	Cash ROE is calculated as cash earnings divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares. It allows for risk to the extent that actual equity aligns with target equity and Risk Weighted Assets (RWA). RWA measures the risk exposure of the Group's assets that are used to determine quantitative minimum capital requirements. Cash ROE also measures inorganic growth. For eligible Executive Officers, the STI program uses ROE performance for the consolidated Group.
Compliance Gateway	All employees must satisfy threshold measures for compliance which reflect a range of internal and external regulatory requirements.
Deferred STI performance rights	Deferred STI performance 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(s) performance, which provide dividend income to the employee from allocation. The shares are held on trust for at least one year, are restricted from trading and may be fully or partially forfeited if individual or business performance warrants. The shares are forfeited if the participant fails to meet the Compliance Gateway, or if they resign or are dismissed. The shares may be retained on cessation of employment in other circumstances. Deferred STI shares have no exercise price.
Enterprise Behaviours	The Enterprise Behaviours are the foundation of the Group's culture and brand and define how employees relate to one another, work together and interact with customers and communities. They are to: <ul style="list-style-type: none"> • Be authentic and respectful • Work together • Create value through excellence. The Enterprise Behaviours were replaced by <i>Living our Values</i> from 1 April 2015.
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, the Non-Executive Member of the Investment and Product Governance Committee and the employees of a Group Company named in this document.
Face value	The face value of each performance right is determined by the market value of a NAB share as at the grant date, and is generally a five day weighted average share price.
Fair value basis	The fair value of each share is determined by the market value of the share as at the grant date, and is generally a five day weighted average share price. The fair value of each performance right is determined using an appropriate numerical pricing model depending on the type of security, and whether there is a market-based performance hurdle (Black Scholes, Monte Carlo simulation, and/or a discounted cash flow methodology). These models take account of factors including: the exercise price; the current level and volatility of the underlying share price; the risk-free interest rate; expected dividends on the underlying share; current market price of the underlying share; and the expected life of the securities. For market-based performance hurdles, the probability of the performance hurdle being reached is taken into consideration in valuing the securities.
Living our Values	Our Values are key in driving the culture to deliver the Group's strategy. They are guiding principles that can inspire employees to meet the needs of customers and achieve the Group's strategy. They are: <ul style="list-style-type: none"> • Passion for Customers • Will to Win • Be Bold • Respect for people • Do the Right thing Our Values replaced the Enterprise Behaviours from 1 April 2015.
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 LTI shares or performance rights. The 2015 LTI is described in section 2.4.
LTI performance 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.

Term Used	Description
Performance rights	A performance right, such as an LTI Performance right (as described above), 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. The performance right is issued at no charge to the employee. 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. 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. Shares will be issued 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.
Restricted Share Plan (RSP)	The RSP was a long-term program provided to senior managers of the Group. The RSP was an annual share grant up to a target value of \$3,000 of NAB shares offered to each eligible employee based on Group performance. Eligibility is based on service, threshold performance and compliance outcomes. The shares are held on trust, and restricted from dealing, for three years. An employee forfeits shares for voluntary cessation of employment or failure to meet compliance requirements within the three year restriction period. The program ceased at the end of 2013.
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.
Reward	Overall remuneration, comprising fixed remuneration (TEC) and 'at risk' remuneration (STI and LTI) as defined in this table.
Short-term incentive (STI)	An 'at risk' opportunity for individuals to receive an annual performance-based reward. Each employee has a short-term incentive target (STI Target) which is usually described as a percentage of their fixed remuneration (e.g. 20% of TEC). The actual STI reward that an individual will receive in any particular year will reflect both business and individual performance as set out in section 2.4.
S&P/ASX Top 50 Index	A Standard & Poors (S&P)/ASX capitalisation index comprised of the 50 largest companies by market capitalisation in Australia. Used as a measure for the LTI performance hurdle.
Top Financial Services	The top financial services companies in the ASX200 (approximately 10 companies) by market capitalisation, excluding NAB, determined on or around the effective date of the LTI award. Used as a measure for the LTI performance hurdle.
Total Employment Compensation (TEC)	The Group's primary measure of fixed remuneration, or salary paid to employees, is called Total Employment Compensation (TEC). It includes employer and employee superannuation contributions (where applicable), but does not include STI or LTI. A portion of TEC may be taken in the form of packaged, non-monetary benefits (such as motor vehicle and parking) and associated fringe benefits tax. Senior executives are also eligible to participate in other benefits that are normally provided to executives of the Group, subject to any overriding legislation prevailing at the time including the Corporations Act 2001 (Cth).
Total Shareholder Return (TSR)	A measure of the return that a shareholder receives through dividends (any other distributions) together with capital gains over a specific period. TSR is an external measure which aligns shareholder wealth creation and market expectations for employee equity plans. TSR is a common measure for the LTI performance hurdle.