

REMUNERATION DISCLOSURES

30 September 2019

Incorporating the remuneration requirements of APS 330

Table of Contents

Section 1

Qualitative Disclosures 1

Section 2

Quantitative Remuneration Disclosures for the Group 9

Section 3

Quantitative Remuneration Disclosures for the London Branch 11

Section 4

Glossary 12

Section 1

Qualitative Disclosures

Introduction

This document has been prepared in accordance with APRA Prudential Standard APS 330 *Public Disclosure*, which requires disclosure of information to the market relating to risk management practices, including remuneration practices.

This disclosure has also been prepared in accordance with Article 450 of the European Union Capital Requirements Regulation, covering senior managers, risk managers and other material risk takers of London Branch as defined by the senior managers and certification regime in the United Kingdom (UK).

These disclosures outline qualitative information on the remuneration frameworks and policies and how they incorporate risk considerations for National Australia Bank Limited (NAB) and its controlled entities (the Group). The qualitative information is relevant for all employees of the Group, including:

- senior managers and material risk takers of the Group (in respect of which there are quantitative disclosures in section 2)
- senior managers, risk managers and other material risk takers of the London Branch (in respect of which there are quantitative disclosures in section 3).

The Group provides detailed information specific to remuneration for the Executive Leadership Team (ELT), who are also senior managers of the Group, in the Remuneration Report contained in the 2019 Annual Financial Report (2019 Remuneration Report).

The types of persons considered as senior managers and material risk takers for the Group are outlined in the following table, with details of the number of individuals who held those roles in the year ended 30 September 2019 (referred to as 2019 throughout this report). Individuals within this disclosure have been identified consistent with the definitions provided in paragraphs 22 of APS 330 and paragraph 57(a) and (c) of CPS 510 *Governance*.

	Number of individuals ⁽¹⁾	Definition
Senior managers	32	Members of the ELT, other Accountable Persons, senior managers who are members of the Group Executive Risk Committee, business line Chief Risk Officers and senior managers of regulated subsidiaries.
Material risk takers	44	Executives of the Group who can substantially impact the financial performance and capital position of the Group.

⁽¹⁾ There were 21 senior managers and 42 material risk takers identified for the 2018 disclosure.

The London Branch roles identified as senior managers, risk managers and other material risk takers are outlined in the following table, with details of the number of individuals who held those roles in 2019.

	Number of Individuals ⁽¹⁾	Definition
Senior managers	11	Includes senior management of the London Branch operations and Group senior management who have significant management accountability for the London Branch.
Risk managers	14	Includes managers of credit and/or market risk takers.
Other material risk takers	50	Includes employees performing significant influence functions, employees who have responsibility and accountability for activities that could have a material impact on London Branch's risk profile, and employees in independent risk management, compliance or internal audit function roles.

⁽¹⁾ There were 8 senior managers, 14 risk managers and 31 other material risk takers identified for the 2018 disclosure.

Senior managers and material risk takers of the Group and senior managers, risk managers and other material risk takers of the London Branch are referred to collectively as Material Risk Takers throughout the remainder of this section.

Remuneration Governance

The Remuneration Committee has been established by the Board. The Remuneration Committee's charter sets out its scope, authority, duties and responsibilities. The full charter is available online at www.nab.com.au/about-us/corporate-governance.

As at the date of this report, the Remuneration Committee was comprised of three independent non-executive directors (including the Chairman of the Remuneration Committee). In 2019 the Remuneration Committee met 22 times (2018: 13 times).

In 2019 the Remuneration Committee Chairman received an annual fee of \$55,000 (2018: \$55,000) and other members of the Remuneration Committee received an annual fee of \$27,500 (2018: \$27,500) in respect of their membership of the Remuneration Committee or a pro-rated amount where members fulfilled the role for part of the year.

Qualitative Disclosures

NAB received a first strike vote against the 2018 Remuneration Report. The Board has taken a number of actions since the first strike including accepting the resignation of the Board Chairman and determining that other directors would receive a reduction in fees for 2019, equivalent to 20% of their 2018 director base fees received. This reduction applied to all members of the Remuneration Committee.

The Remuneration Committee retained KPMG-3dc to provide data and guidance information.

The Remuneration Committee conducts regular (at least annual) reviews of the Group Remuneration Policy (Policy) and makes recommendations to the Board and regulated subsidiary boards on the Policy's effectiveness and compliance with regulatory requirements. Where necessary, the Remuneration Committee recommends amendments to the Policy to the Board and regulated subsidiary boards.

Remuneration Processes

Remuneration Policy

The Policy covers all employees of the Group, including Material Risk Takers. The objectives of the Policy are to:

- improve performance and behaviours that drive exceptional customer service, and progress the Group's desired culture with an emphasis on integrity and accountability
- ensure variable reward components of remuneration are designed to encourage behaviour that supports:
 - the Group's long-term financial soundness and deliver long-term sustainable returns
 - the Group's risk management framework
 - protecting the interests, and meeting the reasonable expectations, of beneficiaries
- comply with jurisdictional remuneration regulations and the Group's diversity, inclusion and pay equity commitments.

The Policy has been developed to support remuneration arrangements aligned with the following principles:

- reinforce our commitment to customers
- align reward with sustainable shareholder value
- drive delivery of long-term performance
- reflect risk, reputation, conduct and values outcomes
- attract, retain and reward the best people.

Remuneration is provided in three components:

- fixed remuneration provided as cash and benefits (including employer superannuation), set to attract and retain a high performing team to deliver on the Group's strategy
- annual performance-based variable reward earned for delivery of annual goals that drive long-term sustainable performance for customers and shareholders
- long-term variable reward to align the interests of members of the ELT and shareholders over the long-term.

The fixed remuneration and variable reward mix is balanced to ensure that the fixed component provides sufficient remuneration to take into account the possibility of paying no variable reward. Variable reward is set to be sufficiently meaningful to drive individual performance without encouraging inappropriate risk-taking or conduct.

The reward mix is based on market information and practices. In any year, the actual reward mix will vary, given the overlay of business performance and individual performance on variable reward outcomes. In the UK, actual variable reward must not exceed one times fixed remuneration for the relevant period.

The Board approves individual remuneration arrangements for the ELT and any other senior executives of the Group as determined by the Board. Regulated subsidiary boards will approve individual remuneration arrangements for senior managers of the subsidiary and other senior executives as determined by the subsidiary boards. Individual remuneration for other Material Risk Takers is approved by the appropriate manager in accordance with the Policy. The Board approves and monitors the remuneration framework and overall outcomes for Material Risk Takers.

Other Features of the Group Remuneration Policy

Board discretion

The Board regularly reviews Group performance for risk, reputation, conduct and performance considerations. The Board's review may include the Group's quality of financial results, shareholder experience and other sustainability metrics relevant at the time. Board discretion may apply to any employee across the Group, by division, by role or individual, depending on circumstances.

The Board has absolute discretion to adjust variable reward down, or to zero, where appropriate (including because of the occurrence of malus⁽¹⁾). This includes:

- determining the initial value of variable reward
- reducing the value of deferred variable reward during the deferral or performance period, including at vesting
- through clawback of paid and vested variable reward.

The Board has absolute discretion to extend the deferral period at any time for any variable reward. For example, the Board may do so if the Board has reason to believe that an employee may not meet conduct standards or comply with their accountability obligations under the *Banking Act 1959* (Cth) (Banking Act) or any other legislation or regulations.

Forfeiture or lapsing

Unvested variable reward will be forfeited or lapsed if:

- the employee resigns
- the Board determines that some, or all, of the unvested variable reward be forfeited on cessation of employment with the Group
- the Board determines that the unvested variable reward should be forfeited due to conduct standards not being met as set out in the NAB Code of Conduct
- the Board determines that the unvested variable reward will be forfeited following the occurrence of a malus event
- the Board exercises its discretion as described above.

Clawback (recovery of paid and vested variable reward)

Variable reward, including retention rewards, is subject to clawback:

- for Accountable Persons who have not complied with their accountability obligations under the Banking Act
- in the UK, for up to seven years from the award date for some material risk takers and up to 10 years from the award date for senior managers (under the UK senior managers and certification regime).

For Accountable Persons who have not complied with their accountability requirements under the Banking Act, the employee will be required to repay an amount determined by the Board (in its absolute discretion), if the Board determines that clawback is required to comply with the Group's obligations under the Banking Act related to variable remuneration.

For material risk takers in the UK, the employee will be required to repay, up to the full amount, any performance-based variable reward, where the Board (in its absolute discretion) determines that one or more of the following circumstances have arisen before the seventh anniversary of the relevant award date:

- the employee has participated in, or was responsible for, conduct which resulted in significant losses to the Group or relevant business
- the employee has failed to meet appropriate standards of fitness and propriety
- the Group has reasonable evidence of employee misbehaviour or material error
- the Group, or the relevant business suffered a material failure of risk management, taking into account the employee's level of responsibility.

Clawback may apply to other Material Risk Takers and other employees of the Group depending on their individual employment arrangements and the terms and conditions of the variable reward plan.

Mandatory shareholding requirement

Members of the ELT are required to accumulate and retain NAB equity over a five-year period from commencement in an ELT role, to an amount equal to:

- two times fixed remuneration for the Group Chief Executive Officer
- one times fixed remuneration for other ELT members.

Details of individual ELT members' NAB equity holdings are set out in the 2019 Remuneration Report.

Commencement, retention and guaranteed awards

Commencement awards are used to buy-out unvested equity, variable reward or other benefits from a new employee's previous employment. The amount, timing and performance hurdles relevant to any such awards are based on evidence provided by the new employee of the benefit offered by the previous employer, had the person remained in their previous employment. The awards are provided in the form of NAB equity or cash, subject to performance hurdles, restrictions and certain forfeiture conditions, including forfeiture on resignation, with these unique to each offer. In the UK, commencement awards may be reduced or completely forfeited if a reduction notice is received from the employee's previous employer.

⁽¹⁾ Such as where a person has engaged in fraud, dishonesty, gross misconduct, behaviour that may negatively impact the Group's long-term financial soundness, prudential standing, prudential reputation or that brings the Group into disrepute, has materially breached a representation, warranty, undertaking or any other obligation to the Group, or has failed to comply with their accountability obligations under the Banking Executive Accountability Regime, or the financial results that led to the variable reward being awarded is subsequently shown to be materially misstated or there has been a significant and unintended deterioration in the financial performance of the Group resulting directly or indirectly from an act or omission by the person.

Qualitative Disclosures

The Group provides retention awards for key employees in roles where retention is critical over a medium-term timeframe (generally two to three years). These are normally provided in the form of NAB equity or cash, subject to a restriction period, achievement of individual performance standards and forfeiture conditions, including forfeiture on resignation. In the UK, retention payments require prior approval from the regulator.

Guaranteed incentives or bonuses do not support the Group's performance-based culture and are not provided as part of the Policy.

2019 Remuneration Policy Changes

ELT

The Board returned to a traditional ELT variable reward plan from the 2019 financial year onwards. The framework has two separate components, being annual variable reward and long-term variable reward. The changes to the ELT variable reward framework were part of the Board's recognition of failing to meet shareholder expectations with respect to the 2018 ELT framework and subsequent application of outcomes. Its development addresses specific concerns raised through the stakeholder engagement process.

The framework is designed to:

- better respond to and reflect shareholder and community expectations
- set globally competitive remuneration that will attract and retain a high calibre executive team from within financial services and critical support industries such as technology and risk
- reward members of the ELT for long-term value creation and align the experience of shareholders and members of the ELT more closely
- provide the right balance of non-financial and financial measures to drive exceptional customer service, deliver shareholder value and progress NAB's desired culture.

Further details are provided in the 2019 Remuneration Report.

Other employees

A number of changes to the Policy were approved by the Board to variable reward arrangements for 2019 for other employees including:

- introduction of longer deferral periods with a higher minimum amount deferred for some employees including the majority of Material Risk Takers (see *Adjusting remuneration for longer-term performance* for more detail)
- extension of the deferral period if circumstances warrant
- implementation of clawback to contracts and variable reward arrangements
- the ability for people leaders to apply greater differentiation for variable reward outcomes aligned with individual performance.

All employees

The Board also approved changes to how Group performance (also known as the One NAB Score) is calculated and assessed. The One NAB Score is based on the achievement of performance measures set by the Board at the beginning of the performance year. It adjusts the overall level of funding available for the Group Variable Reward Plan and the ELT's Annual Variable Reward Plan. This impacts the amount of variable reward provided to participants of these plans. The majority of employees, including the majority of Material Risk Takers, are participants of the Group Variable Reward Plan.

The measures and relative weightings of the One NAB Score in 2018 and 2019 are shown in the table below. In 2019 the cash Return on Equity (ROE) measure was removed to simplify the One NAB Score calculation and because of the high degree of correlation between cash earnings and cash ROE.

2019		2018	
Performance measure	Weighting	Performance measure	Weighting
Return on Total Allocated Equity (ROTAE)	50%	Cash earnings	25%
Cash earnings	25%	Cash ROE	25%
Priority Segments Net Promoter Score (NPS) ^{(1) (2)}	12.5%	ROTAE	25%
Transformation	12.5%	Business transformation	25%

⁽¹⁾ Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

⁽²⁾ Priority Segments NPS is a simple average of the NPS scores of four priority segments: NAB defined Home Owners (Home Loan @ Bank), Investors, Small Business (\$0.1 million -<\$5 million) and Medium Business (\$5 million -<\$50 million). The Priority Segments NPS data is based on six month moving averages from DBM Consumer Atlas and BFSM Research.

In addition, the level of funding for ROTAE and cash earnings was changed from 70% funding (threshold) at 70% performance and 130% funding (maximum) at 130% performance to 70% funding (threshold) at 90% performance and 130% funding (maximum) at 110% performance for 2019. The ROTAE and cash earnings measures are calculated based on a non-linear curve, whereas prior to 2019 a linear curve was used for these measures. This change was made to motivate employees to achieve, or exceed the business plan with greater reward for doing so while delivering lower consequences for not achieving the business plan.

Remuneration of Risk and Financial Control Employees

Risk and financial control employees (as defined in paragraph 57(b) of CPS 510) are critical to effective management of risk across the Group.

Independence from the business for these employees is assured through:

- setting the reward mix so that variable reward is not significant enough to encourage inappropriate behaviours while remaining competitive with the external market
- the Risk function and Finance function making remuneration decisions for these employees, rather than the business these employees support
- performance of the Group and the Risk/Finance function are key components for calculating employee variable reward, rather than the performance of the business these employees support.

The Remuneration Committee reviews, and the Board approves, remuneration structures for these employees and oversees the overall remuneration outcomes for employees in these roles at least annually.

Remuneration and Risk

Effective risk management, including having a Risk Management Strategy and sound risk culture, is essential to achieving the Group's vision to be Australia's leading bank, trusted by customers for exceptional service. Risk exists in all of the Group's businesses and the environment in which it operates. The Group's culture is shaped by its values, including the NAB value 'Do the right thing'. The Group's risk culture is aligned to risk appetite and values.

Risk is the responsibility of all employees of the Group. A sound risk culture is where the mind-set, decisions and behaviour of employees are aligned to the Group's values and contribute to sustainable outcomes for customers, shareholders and external stakeholders. All employees are required to complete annual mandatory risk learning to ensure they are aware of risk accountabilities as they relate to their role.

The Group influences culture by focusing on leadership behaviour, systems and people, and reinforcing expectations of the Group's risk culture and behaviours through aligning remuneration with performance outcomes. Regular reporting is provided to the Board on culture and the impact this may have on risk management outcomes.

Risk Measures and Aligning Risk and Reward

A number of risk measures exist across each of the Group's material risks, as detailed in the *Risk Governance and Management* section of the 30 September 2019 Pillar 3 Report.

Variable reward outcomes reflect risk at a number of levels:

Individual performance plans

All employees have a performance plan with up to four goals (up to five goals for senior executives), inclusive of a mandatory risk goal. The risk goal requires performance in four key areas:

- Risk appetite - operating the business within approved risk appetite
- Compliance - operating the business to be compliant with obligations and policies
- Risk capability - appropriately designed, effective controls and practices to mitigate risk
- Risk culture - demonstration of risk-focused actions that lead to good risk management outcomes, processes and policies.

An employee's performance against these risk measures is reflected, in part, through the employee's variable reward. The employee will receive higher variable reward if they are driving improvements in the management of risk and compliance. If risk is not appropriately managed, the employee's variable reward will be reduced. The Board or the Risk function has the ability to adjust an employee's overall variable remuneration down, or to zero, where conduct standards have not been met.

Conduct gate

Employees must conduct themselves in accordance with the behavioural expectations outlined in the NAB Code of Conduct. This includes ensuring they comply with Group policies, including the Group Securities Trading Policy and Conflicts of Interest Policy. In particular, the Group Securities Trading Policy specifically prohibits directors and employees from protecting the value of unvested securities (including unvested deferred variable remuneration) with derivative instruments. Directors and employees can protect the value of vested securities in limited circumstances. Employees who do not meet the conduct standards of their role will have their variable reward reduced in part, or in full, depending on the severity of the breach and may have unvested variable reward forfeited or lapsed. They may also be subject to other disciplinary action.

One NAB Score

The One NAB Score is a measure of the Group's performance over the financial year. The Board determines the One NAB Score based on the achievement of performance measures set by the Board at the beginning of the financial year. These include risk-adjusted financial, financial and non-financial measures which capture a number of material risks.

Qualitative Disclosures

Risk adjustment of business outcomes

The Remuneration Committee (with assistance from the Board Risk Committee) may recommend to the Board adjustments to the Group's variable reward outcomes, including the One NAB Score. The Remuneration Committee considers Group reward outcomes taking into account the quality of the Group's financial results, management of risk, reputation, shareholder expectations, sustainability and the environment. Considerations include the Group's overall risk profile, prudential compliance, breaches and incidents, timeliness of escalation and management of events and breaches.

Linking Performance and Remuneration

Performance is linked to remuneration through both fixed remuneration and variable reward components.

Fixed remuneration is set with consideration of role complexity and responsibilities, the individual's capabilities, experience and knowledge, individual performance, internal and external market role relativities, and pay equity considerations.

Variable reward is determined based on a combination of individual performance and business performance.

Business performance for the 2019 One NAB Score was measured by a mix of ROTAE, cash earnings, customer advocacy and transformation (see *2019 Remuneration Policy Changes* for more detail). These measures 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. The One NAB Score impacts variable reward outcomes for the ELT and the Group Variable Reward plan which most employees participate in.

An employee's individual performance is assessed across all performance elements, inclusive of the what and the how:

- conduct - whether they have conducted themselves in compliance with the NAB Code of Conduct
- core role - whether they have achieved the core expectations of their role
- risk - whether they have met their risk goal
- goals - progress in achieving their stretch goals
- values and behaviours - how they demonstrate the Group's values and behaviours.

An employee's performance plan defines stretch goals, performance measures and targets relevant to the employee's role that support delivery of the Group's longer-term strategy. Employees must achieve the expectations of their core role and the minimum conduct requirements to be eligible for variable reward.

Examples of performance measures used across the Group in 2019 were:

Category	Example performance measures
Customer <i>Deliver a great customer experience and grow customer advocacy</i>	- Customer advocacy (NPS)
Risk <i>Taking the right risk, with the right controls for the right returns</i>	- Adherence to risk frameworks and policies with no material breaches - Adherence to risk settings and limits applicable to role - First line risk accountabilities
Strategy <i>Implement Group strategy</i>	- Delivery of specific projects linked to strategy - Process/technology change
Other <i>Goal relevant to specific role</i>	- Cash ROE - Deliver on financial plan - Implement initiative by timeframe and budget

A portion of variable reward is provided as deferred equity or deferred cash. The quantum and period of deferral is commensurate with the level of risk within a role and the ability to reliably measure business outcomes. This allows time to confirm that the initial individual performance and business performance outcomes are realised and if not, for the deferred variable reward to be adjusted downwards. Deferral is generally only applied to variable reward amounts of \$50,000 or more.

Variable reward links to Group and business performance by delivering a smaller One NAB Score when performance is less than target and a larger One NAB Score when performance is above target.

Poor performance during a performance period will be reflected in the variable reward awarded for the current year and the level of vesting of other variable rewards from prior years. If performance is significantly weak, this may result in no variable reward being awarded and no vesting of other awards.

The Remuneration Committee, with assistance from the Board Risk Committee, reviews financial and risk outcomes at the end of the performance year and recommends to the Board the One NAB Score, considering financial and non-financial measures, shareholder expectations and the quality of the financial results.

Adjusting Remuneration for Longer-Term Performance

Longer-term performance is reflected in the design of the Group's variable reward arrangements. Variable reward plans contain performance metrics that are set to achieve the Group's longer-term strategy. Deferral of a portion of variable reward allows for the reward to be adjusted after the initial performance assessment to reflect longer-term performance outcomes.

Deferral Arrangements

Variable reward is subject to deferral for Material Risk Takers depending on the variable reward plan and jurisdictional requirements as summarised in the following table:

Role grouping	Deferral arrangement
ELT Annual Variable Reward Plan ⁽¹⁾	50% of variable reward is deferred equally over 4 years
ELT Long Term Variable Reward Plan ⁽¹⁾	100% of variable reward is deferred for 4 years
Accountable Persons (other than NAB Directors or ELT) ⁽¹⁾	40% of variable reward is deferred for 4 years
Senior managers and material risk takers (not in categories below)	40% of variable reward is deferred for 3 years
UK senior managers (including Financial Markets Specialist Incentive Plan senior managers) ⁽²⁾⁽³⁾	40% of variable reward is deferred over 7 years, vesting equally from 3 to 7 years
UK risk managers (including Financial Markets Specialist Incentive Plan risk managers) ⁽²⁾⁽³⁾	40% of variable reward is deferred equally for 5 years
Other UK material risk takers (not in categories below) ⁽²⁾⁽³⁾	40% of variable reward is deferred equally for 3 years
Financial Markets Specialist Incentive Plan senior material risk takers ⁽³⁾	50% of variable reward is deferred equally over 3 years
Financial Markets Specialist Incentive Plan other material risk takers ⁽³⁾	50% of variable reward is deferred equally over 2 years

⁽¹⁾ Only applies if the employee's variable reward is \$50,000 or more.

⁽²⁾ Only applies if the employee's variable reward is more than 33% of total remuneration and total remuneration is more than £500,000.

⁽³⁾ For UK employees, if annual variable reward is £500,000 or more, then 60% of the incentive is deferred. Other deferral arrangements apply to employees not identified as senior managers or material risk takers.

Deferred variable reward is generally provided in either shares or performance rights.

For senior managers, risk managers and material risk takers in the UK, half of any 'up-front' variable reward (the und deferred component of variable reward) is provided as cash. The remaining half is provided as equity subject to a retention period. A retention period also applies to deferred variable reward after performance conditions have been satisfied. For senior managers and material risk takers the retention period is 12 months while for risk managers the retention period is six months. The retained amounts are restricted from being sold, transferred or exercised by the employee during the retention period. No further performance conditions apply to retention equity.

The Board has absolute discretion to extend the deferral period for any reason, including if the Board has reason to believe that an individual is likely to have failed to meet threshold measures of conduct or comply with their accountability obligations.

Once deferred variable reward has vested or performance restrictions have ceased, no further adjustment (including as a result of malus) applies. Clawback may be applied to vested variable reward including for Accountable Persons and some employees in the UK.

Forms of Variable Reward

The Group provides variable reward in the following forms:

Form	Use
Cash	- All or a portion of the variable reward that relates to the current performance year
	- For deferred variable reward where an employee is entitled to receive deferred variable reward but has ceased employment with the Group prior to allocation of any shares or performance rights or for jurisdictional reasons
	- Retention and recognition awards
Shares	- Commencement awards
	- Deferred variable reward
	- General employee share offers
Performance rights	- Retention and recognition awards
	- Commencement awards
	- Deferred variable reward
Performance rights	- Long-term variable reward
	- Retention and recognition awards
	- Commencement awards

Qualitative Disclosures

Generally, the Group aims to provide deferred variable reward as equity to align the interests of employees and shareholders. Performance rights are generally provided where the Group does not consider it appropriate to pay dividends during deferral or restriction periods or for jurisdictional reasons. The mix of different forms of variable reward is dependent on the employee's role and external market relativities and practice.

All permanent employees are eligible to participate in a variable reward plan. Variable reward will generally be provided in a combination of cash (including employer superannuation if required) and equity.

Retention, recognition and commencement awards are provided to an employee depending on circumstances. The quantum and form will vary depending on the specific circumstances at the time of the award.

Section 2

Quantitative Remuneration Disclosures for the Group

Table 2A: Total Value of Remuneration Awards

The following table provides details of remuneration awarded to senior managers and material risk takers of the Group.

	12 months ended							
	30 Sep 19				30 Sep 18			
	Senior managers		Material risk takers		Senior managers		Material risk takers	
Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Fixed remuneration								
Cash-based ⁽¹⁾	21,946	-	21,403	-	18,619	-	17,172	-
Other ⁽²⁾	846	-	1,223	-	638	-	1,043	-
Variable reward⁽³⁾								
Cash-based	3,292	-	7,789	-	7,626	-	14,849	-
Equity ⁽⁴⁾	-	1,895	-	8,559	-	12,654	-	14,928

⁽¹⁾ Includes cash salary, cash allowances, short-term compensated absences (such as annual leave entitlements accrued but not taken), motor vehicle benefits, parking, relocation costs and other benefits (including any related fringe benefits tax). The 2018 comparative amount for senior managers has been restated from that previously disclosed (\$18,505,000) due to an adjustment to the prior year salary for one senior manager.

⁽²⁾ Other fixed remuneration includes employer contributions to superannuation (in Australia and New Zealand) and National Insurance Contributions (in the UK) and long service leave entitlements accrued but not taken. The long service leave entitlements are recognised as accruing on an annual basis based on an actuarial calculation. The 2018 comparative amount for senior managers has been restated from that previously disclosed (\$694,000) due to an adjustment to the prior year superannuation for one senior manager.

⁽³⁾ 29 (2018: 19) senior managers and 42 (2018: 39) material risk takers received variable reward in respect of the relevant year. Some senior managers and material risk takers did not receive variable reward as they ceased employment with the Group or did not meet minimum performance requirements.

⁽⁴⁾ Equity includes all shares and share-linked instruments. Amounts are determined based on the grant date fair value amortised on a straight line basis over the expected vesting period. The amount shown is the portion relating to the relevant year expense and includes amounts relating to the relevant year and prior year awards.

Table 2B: Deferred Reward

The following table provides details of deferred reward for senior managers and material risk takers, including the amount outstanding as at the reporting date and the amount paid and reductions during the year. Reductions are split into those that are implicit (such as due to fluctuations in the value of NAB shares and share-linked instruments) and explicit (including reductions as a result of forfeitures and lapses due to failure to meet performance hurdles, resignations or malus adjustments).

	30 Sep 19		30 Sep 18	
	Senior managers	Material risk takers	Senior managers	Material risk takers
	\$000	\$000	\$000	\$000
Outstanding deferred reward as at the reporting date ⁽¹⁾	37,641	23,993	48,242	30,457
of which: cash-based	-	93	245	253
of which: equity	37,641	23,900	47,997	30,204
Paid out during the year ⁽²⁾	7,624	7,569	14,623	17,660
Reductions due to explicit adjustments during the year ⁽³⁾	(27,674)	(3,143)	(10,728)	(3,211)
Reductions due to implicit adjustments during the year	(1,564)	(1,609)	(294)	(584)

⁽¹⁾ The value of deferred cash awards is the grant value and the value of deferred equity awards is the grant date fair value. Outstanding deferred reward provided as shares and share-linked instruments is fully exposed to ex post explicit and/or implicit adjustments.

⁽²⁾ Includes the value of vested awards using the closing share price of NAB shares on the vesting date.

⁽³⁾ Calculated using the closing share price of NAB shares on the forfeiture or lapsing date.

Quantitative Remuneration Disclosures for the Group

Table 2C: Other Remuneration

The following table provides details of the commencement awards and termination payments for senior managers and material risk takers.

	12 months ended							
	30 Sep 19				30 Sep 18			
	Senior managers		Material risk takers		Senior managers		Material risk takers	
	No. of individuals	Total amount \$000	No. of individuals	Total amount \$000	No. of individuals	Total amount \$000	No. of individuals	Total amount \$000
Commencement awards ⁽¹⁾	4	2,549	11	6,103	-	-	5	5,113
Termination payments ⁽²⁾	3	2,238	2	1,460	2	1,201	1	491

⁽¹⁾ The full value of the commencement awards provided.

⁽²⁾ Termination payments are made in accordance with the relevant NAB Enterprise Agreement and/or the employee's employment agreement. Employees may also retain shares and performance rights in accordance with the relevant terms and conditions of each grant, which remain subject to the relevant performance hurdles and restriction periods. These arrangements are consistent with the Group's policy and practice in such circumstances.

Section 3

Quantitative Remuneration Disclosures for the London Branch

The following quantitative disclosures relate to senior managers, risk managers and other material risk takers of London Branch. Amounts are presented in British pounds unless otherwise stated and have been rounded to the nearest thousand pounds (£000).

Table 3A: Total Value of Remuneration Awards

	12 months ended 30 Sep 19		
	Senior managers	Risk managers & other material risk takers	Total
Number of individuals	11	64	75
	Senior managers	Risk managers & other material risk takers	Total
	£000	£000	£000
Fixed remuneration	3,950	17,778	21,728
Variable reward (cash)	223	1,177	1,400
Variable reward (retained shares)	19	111	130
Deferred reward (equity) ⁽¹⁾	27	577	604
Deferred reward (cash) ⁽¹⁾	-	-	-
Total variable reward	269	1,865	2,134
Total remuneration	4,219	19,643	23,862

⁽¹⁾ The Group provides all deferred remuneration in NAB equity or cash.

Table 3B: Deferred Reward

	Senior managers	Risk managers & other material risk takers	Total
	£000	£000	£000
Outstanding - vested as at 30 Sep 2019	157	546	703
Outstanding - unvested as at 30 Sep 2019	420	4,088	4,508
Awarded during 2019	118	2,013	2,131
Vested during 2019	266	1,847	2,113
Reductions during 2019 through performance adjustments	-	-	-

Table 3C: Other Remuneration

	12 months ended 30 Sep 19		
	Senior manager	Risk managers & other material risk takers	Total
Termination payments (£000)	444	-	444
Number of beneficiaries	1	-	1
Highest award to a single beneficiary (£000)	444	-	444

Other Remuneration Information

No sign-on bonuses or retention awards were provided to senior managers, risk managers or other material risk takers during 2019.

In 2019 all senior managers, risk managers and other material risk takers were remunerated less than EUR 1 million (equivalent to less than £905,310 converted using a rate of 1 Euro = £0.9053, consistent with the European Commission's currency converter for 30 September 2019). Total remuneration includes fixed remuneration, allowances and variable reward.

Glossary

Section 4

Glossary

Term	Description
Accountable Person	An accountable person for the purposes of the <i>Banking Act 1959</i> (Cth). Members of the Executive Leadership Team are Accountable Persons.
ADI	Authorised Deposit-taking Institution.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
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 year ended 30 September 2019 was adjusted for the following: <ul style="list-style-type: none">- Distributions- Fair value and hedge ineffectiveness- Amortisation of acquired intangible assets- MLC Wealth divestment separation costs.
Cash return on equity (cash ROE)	Cash earnings after tax expressed as a percentage of average equity (adjusted), calculated on a cash earnings basis.
CPS	Prudential Standards issued by APRA applicable to regulated entities, including ADIs.
Distributions	Payments to holders of equity instruments other than ordinary shares such as National Income Securities and Trust Preferred Securities.
ELT	Executive Leadership Team.
Fair value (for the purposes of equity awards)	The value of awards provided are measured by reference to the grant date fair value of the shares and performance rights provided to employees. 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. The fair value of the shares and performance rights with market performance hurdles is determined using a simulated version of the Black-Scholes model.
Fair value and hedge ineffectiveness	Volatility from the Group's assets and liabilities designated at fair value, hedge accounting ineffectiveness from designated accounting hedge relationships, or from economic hedges where hedge accounting has not been applied.
Group	NAB and its controlled entities.
NAB	National Australia Bank Limited ABN 12 004 044 937.
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.
Return on Total Allocated Equity (ROTAE)	ROTAE is a function of cash earnings, risk-weighted assets, regulatory capital deductions and target capital ratios.
Risk-weighted Assets	A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.

