

ASX Announcement

Thursday, 31 July 2008

National Australia Bank Board announces Cameron Clyne to succeed John Stewart as Group CEO in 2009

Mr Michael Chaney, Chairman of National Australia Bank, today announced that Mr Cameron Clyne would succeed Mr John Stewart as Group Chief Executive Officer on 1 January 2009 and will be invited to join the Board at that time.

Mr Chaney said that Mr Clyne's appointment represented the culmination of an extensive succession planning exercise conducted over the last 18 months, which included an international search.

"Cameron Clyne is an outstanding executive with the strategic, cultural and leadership qualities that fit the business at this time," Mr Chaney said.

"He will become Group CEO designate on 1 October 2008 to ensure an orderly handover from John Stewart.

"Cameron has been a member of the NAB Group Executive Committee for more than four years. Two and half years of this period were spent working with John Stewart on the strategic agenda.

"More recently, as CEO of Bank of New Zealand Cameron has delivered a strong operational performance, building on the foundations of a well run bank in a challenging market.

Prior to joining NAB Cameron Clyne was managing partner, Financial Services Industry Asia Pacific for PwC and has worked extensively in the banking and finance sectors in Asia, the United States and Europe over many years.

"Our ability to transition to the right person for the job from our internal management ranks is a direct result of the outstanding leadership by John Stewart since he was appointed in 2004.

"John has worked tirelessly to create a great culture, develop a deep talent pool and deliver strong operating performances in all our businesses.

"The Board acknowledges John's on-going and central contribution to the NAB businesses and in creating a terrific foundation for future success in our areas of key competency including wealth management, business and agri banking where we enjoy leading positions in many markets," Mr Chaney said.

In addition to Mr Clyne's appointment Mr Chaney also announced Andrew Thorburn will become CEO-BNZ commencing October 1, 2008 (Subject to the regulatory approval of the Reserve Bank of New Zealand).

Mr Thorburn is currently head of NAB's retail bank in Australia.

A replacement for Mr Thorburn will be announced by Ahmed Fahour, Executive Director and CEO Australia, in due course.

All senior executives running other NAB divisions will remain in their current roles.

Short biographies of both Mr Clyne and Mr Thorburn are attached.

A summary of Mr Clyne's new employment terms is attached.

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Cameron Clyne – Chief Executive, Bank of New Zealand

Cameron Clyne has run the Bank of New Zealand since January 2007, with responsibility for the 4300 staff and its extensive branch network.

Since joining NAB in 2004, Cameron has been a member of the Group Executive Committee.

He has worked closely with Group CEO John Stewart on strategic issues as Executive General Manager, Group Development and as Executive General Manager, Customer Solutions.

Cameron had extensive experience in the financial services industry before joining NAB.

At PricewaterhouseCoopers and at IBM Consulting (following its acquisition of PwC Consulting), Cameron worked with some of the world's leading banks in Australia, New Zealand, Europe and Asia.

He conducted reviews covering mergers and acquisitions, strategic market entry, performance improvement, corporate technology, culture and leadership, risk management and corporate governance.

Cameron studied at the University of Sydney, where he attained a Bachelor of Arts (Economics).

He is married to Melinda and has two children; Harry, aged 6, and Jemma, aged 3.

Andrew Thorburn - Executive General Manager, Retail Banking Australia

As Executive General Manager for Retail Banking, Andrew Thorburn leads a team of over 11,000 people, who are located across nearly 800 Australian stores, contact centres and head office locations, servicing over 3.3 million NAB customers.

On a day to day basis he is responsible for all operations related to the Retail Bank including products, services and operations as well as for the ongoing development of NAB's retail banking strategy.

Since joining the Bank in 2005 Andrew has been recasting the way NAB approaches retail banking. His focus is on embedding a retailing ethos within his team and this has seen investment in his people, in the Bank's distribution and servicing models and in a suite of retail banking products.

Andrew spent more than two decades in the Australian and New Zealand financial services industries. Prior roles include Group Executive, Personal Customers and Group Marketing at St George Bank, State General Manager Western Australia and Chief Manager Marketing Communications at the Commonwealth Bank of Australia and Chief Manager Personal Banking at ASB Bank in New Zealand.

Andrew holds qualifications in Economics and Marketing as well as an MBA from Durham University in the United Kingdom.

Attachment

Mr Cameron Clyne

Summary of Key Terms of Remuneration and Employment Arrangements

The key terms of employment arrangements are outlined below. These are in line with industry practice and ASX corporate governance guidelines. They have been developed in accordance with such guidelines and after consideration of external advice on Australian and international peer company benchmarks.

These terms and conditions will be incorporated into an employment agreement that will be executed by Mr Clyne and NAB in due course. The remuneration package has been designed to align Mr Clyne's reward with tangible returns to shareholders by the attainment of objectives set by the Board.

Proposed long-term incentive grants of performance rights and restricted shares are to be awarded following the appointment of Mr Clyne as Group CEO on 31 December, 2008, subject to the approval of shareholders which will be sought at the 2008 Annual General Meeting.

Term of Appointment

Mr Clyne will be appointed, on an ongoing basis, with twelve months' written notice required for termination, as:

- Group CEO Designate from 1 October to 31 December, 2008; and
- Group CEO from 1 January, 2009.

Remuneration

Remuneration payable to Mr Clyne as Group CEO Designate will be:

- a fixed total employment compensation (TEC) component at an annualised rate of A\$1.3 million which covers salary, superannuation and other benefits;
- short-term incentive (STI) – at target A\$1.3 million (100% of TEC); and
- long-term incentive (LTI) – as detailed below.

Remuneration payable to Mr Clyne as Group CEO from 1 January, 2009 will be:

- a fixed TEC component of A\$2.5 million per annum. This component is subject to annual review commencing January, 2010;
- STI – at target A\$2.5 million (100% of TEC) with a stretch target of 150% of TEC. The actual STI awarded will be determined at the discretion of the Board based upon Group CEO performance in achieving NAB objectives;
- LTI based upon on Total Shareholder Return (TSR) and NAB Group cash earnings (CE) and return on equity (ROE) – A\$2.5 million.

Subject to shareholder approval, the proposed LTI will consist of:

- performance rights to the value of A\$1.25 million with a zero exercise price, to be assessed against a TSR hurdle; and
- restricted NAB shares to the value of A\$1.25 million, to be assessed against a CE and ROE hurdle.

- The performance period for the performance rights begins on the date of Mr Clyne's commencement as Group CEO and ends on the fifth anniversary of that date with no vesting prior to the third anniversary. Vesting is subject to both performance and time hurdles.
- TSR is the value of the share price increase together with the value of reinvested dividend payments. NAB TSR will be compared to a number of substantial listed Australian financial services companies ("the Comparator Group") determined by the Board. NAB performance equal to the median TSR of the Comparator Group will result in half the performance rights becoming exercisable. NAB TSR performance above median will result in further performance rights becoming exercisable, increasing on a straight line basis such that all performance rights may be exercised if NAB TSR is at or above the 75th percentile of the Comparator Group.
- For the restricted shares, CE and ROE targets will be set by the Board in line with the Group operational business plans through to the end of September 2012. The Board will determine the number of shares, if any, to be vested after the end of the 2012 Plan Year following consideration of actual CE and ROE outcomes each year for the three year and nine month period up to September, 2012

Termination

The employment agreement may be terminated in the circumstances described below with the remuneration consequences as noted, to the extent permitted by the Corporations Act.

1. Resignation by the Group CEO on twelve months' notice. In this event all unvested LTI would be forfeited.
2. Termination on notice by NAB. The notice period is twelve months. In such circumstances, all LTI which has vested would be retained and exercisable. All LTI which has not vested would be retained and would vest and become exercisable subject to the relevant time and performance hurdles being satisfied.
3. In the event of termination without notice, all LTI would be forfeited.
4. In the event of death or total and permanent disability, all LTI would vest and would be retained.
5. In the event of a change of control of the company, the Board will have discretion in regard to the acceleration and vesting of outstanding LTI payments.

Restraints

Mr Clyne would be subject to a restraint for twelve months following cessation of employment with NAB from being concerned in the business of any competing financial institution.

In addition, upon termination, Mr Clyne would be restrained for a period of twelve months from cessation of employment from soliciting away from NAB, NAB employees, customers, clients or service providers with whom, as Group CEO, he had direct or indirect contact during the last twelve months of his tenure as Group CEO.