

NATIONAL AUSTRALIA BANK LIMITED

Principal Board Nomination Committee Charter

1 PURPOSE OF CHARTER

- 1.1 The Principal Board Nomination Committee Charter sets out the membership, responsibilities, authority and operations of the Principal Board Nomination Committee (the 'Committee') of National Australia Bank Limited (the 'National').

2 AUTHORITY

- 2.1 The Committee is appointed by the Board of Directors of the National (the 'Board') and is formed for the purpose of conducting a detailed examination of the selection and appointment practices of the National, and the processes for evaluating the performance of:

- the Board;
- the Board Committees;
- The Managing Director & Chief Executive Officer ("CEO")
- the executives reporting directly to the CEO.

The Committee is also appointed to evaluate the role of the Chairman of the Board and to oversee the implementation of the process for the evaluation of the performance of individual directors¹.

- 2.2 The Committee is responsible for the selection and recommendation to the Board of new Board members

Delegation of powers of Directors

- 2.3 The Committee is entitled to exercise any powers of the Directors, which the Directors have delegated to it in accordance with Article 12.19 of the Constitution and the Corporations Act. Powers previously delegated to the Human Resources and Nomination Committee consistent with the powers granted to the Committee under this clause 10 are delegated to the Committee with effect from the establishment of the Committee.

- 2.4 The Committee must exercise any powers delegated by the Board in accordance with any directions of the Board.

Independent Experts

- 2.5 The Committee is authorised to appoint and terminate the appointment of any independent experts, including recruitment firms, to enable it to carry out its responsibilities.

¹ Recommendation 8.1 of the Australian Stock Exchange Corporate Governance Guidelines, Principles of Good Corporate Governance and Best Practice Recommendations recommends that companies disclose the process for performance evaluation of the Board, its committees and individual directors and key executives. The National's process for the assessment of the performance of individual directors is as follows:

- the Chairman of the Board will evaluate the performance of individual directors on an annual basis and discuss each director's performance with that director at least once annually; and
- in advance of a director being presented to shareholders for re-election in accordance Article 10.3 of the National's Constitution, the Board (in the absence of the director involved) will consider whether the Board will make a recommendation to shareholders in support of the particular director's re-election.

The Nomination Committee will oversee the implementation of this process.

Delegation of Authority to a Sub-Committee

- 2.6 The Committee has authority from the Board to sub-delegate the authority of the Committee to a Sub-Committee, comprised of a minimum of three members of the Committee, to examine, review, consider and recommend such matters, relevant to this Charter, as the Committee may consider appropriate from time to time.

3. COMPOSITION

Membership

- 3.1 The Committee must consist of a minimum of three members, and the majority of the members must be independent non-executive Directors². Independence for these purposes will be assessed by reference to criteria approved by the Board from time to time.
- 3.2 The Committee may, with the approval of the Board, be comprised of all the Directors acting in committee.

Appointment

- 3.3 The Board may appoint, remove or replace the members of the Committee.

Chairman³

- 3.4 The Chairman of the Committee will be appointed annually by the Board and must be an independent non-executive Director and may be the Chairman of the Board.
- 3.5 Should the Chairman be absent from a meeting and no acting Chairman has been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chairman for that particular meeting.

Secretary

- 3.6 The Committee may appoint, remove or replace a Secretary.
- 3.7 The Secretary has the powers and duties specified in this Charter or determined by the Committee and must exercise his or her powers in accordance with any directives of the Committee.

4. TERM

- 4.1 Each member of the Committee will be appointed for an initial term of three years, or shorter if circumstances dictate.
- 4.2 Periodic rotation of members' appointment is to be encouraged, if the membership of the Committee is comprised of less than all of the Non-Executive Directors. However, no more than one member should leave the Committee pursuant to rotation in any one year.

5 MEETINGS

Meetings Other than in Person

- 5.1 The Committee may (in accordance with Article 12.25 of the National's Constitution) conduct meetings without all Committee members being involved in the meeting in the physical presence of one another provided that all Committee members involved in the meeting are able to participate in the discussion.

² The definition of an independent director is set out in the schedule attached to the Board Charter.

³ Reference to a Chairman is a reference to 'The Manager of the Chair' and is a position that may be held by a person of either gender.

Frequency of Meetings and convening of meetings

- 5.2 Committee meetings must be held at least twice annually and more frequently as required.
- 5.3 The Secretary must convene a Committee meeting on the request of any member of the Committee or on the request of the Chairman of the Board if he/she is not a member of the Committee.

Quorum

- 5.4 A quorum is present at a Committee meeting if at least 50% of the Directors who are Committee members entitled to vote on any resolution that may be moved at the meeting, are present.

Election, re-election or removal of Directors

- 5.5 Committee members must not be present at any meetings and must not participate in any decision or vote on any resolution of the Committee in relation to their own election, re-election or removal from the position of Director.

Minutes

- 5.6 The Secretary must cause minutes of all Committee meetings to be made and retained.
- 5.7 Minutes of Committee meetings must be provided to the Board for noting at the earliest opportunity.

6. ATTENDANCE AT MEETINGS

- 6.1 Directors who are not members of the Committee, the Managing Director & Chief Executive Officer and other executives may attend meetings of the Committee at the invitation of the Committee Chairman. Directors who are not members of the Committee must not be present at that part of any meetings and must not participate in any decisions in relation to their election, re-election or removal from the position of Director.
- 6.2 Other members of management and/or parties external to the National may be invited to attend any meeting of the Committee or part thereof.

7 AMENDMENTS TO THE CHARTER

- 7.1 This Charter may be amended by the Board of Directors.

8 FEES

- 8.1 Committee members are entitled to receive remuneration as determined from time to time by the Human Resources Committee of the National, if the membership of the Committee is comprised of less than all of the Non-Executive Directors.

9. REPORTING AND ASSESSMENT

- 9.1 The Chairman of the Committee will report to the Board as soon as practical after each meeting of the Committee on all matters that should be brought to the attention of the Board, and any recommendations requiring Board approval and / or action and the minutes of the Committee meetings will be presented to the Board.
- 9.2 At least annually, a review of this Charter and its continuing adequacy will be performed by the Board of Directors together with an evaluation of the Committee's performance and the extent to which the Committee has met the requirements of this Charter.
- 9.3 The Chairman of the Committee is to submit an annual report to the Board summarising the Committee's activities during the year.

10 DUTIES AND RESPONSIBILITIES

Primary responsibilities

10.1 The Committee is responsible for:

- assessing and enhancing the necessary and desirable competencies of the Board;
- reviewing the size and composition of the Board, including succession plans to enable an appropriate balance of skills, experience and expertise to be maintained;
- evaluating the performance of the Board and make recommendations to the Board in this regard;
- overseeing the implementation of the process for the evaluation of the performance of individual directors;
- overseeing the induction process for new Directors and reviewing its effectiveness;
- monitoring and assessing the continuing education program for Directors;
- reviewing a process for the selection and removal of Directors and reviewing its effectiveness;
- recommending the appointment of new Directors to the Board, having regard to the desirable qualifications, experience and domicile for individual new appointees; and
- reviewing the annual People Planning and Management process, including the succession planning for the Managing Director and Chief Executive Officer and the executive positions reporting to the MD & CEO, and the Talent Review covering approximately 100 of the most senior people in the National.

This Charter is dated 10 March 2005 and supersedes any terms of reference previously in force.