

8 May 2015

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Chairman
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Australia

Dear Shareholder

NATIONAL AUSTRALIA BANK LIMITED \$5.5 BILLION PRO RATA ACCELERATED RENOUNCEABLE ENTITLEMENT OFFER

On 7 May 2015, National Australia Bank Limited (“NAB”) announced a fully underwritten pro rata accelerated renounceable entitlement offer of new NAB ordinary shares (“New Shares”) (with retail entitlements trading) to raise approximately \$5.5 billion (“Entitlement Offer”).

The Entitlement Offer and use of proceeds

The purpose of the Entitlement Offer of New Shares is to put NAB in a strong capital position following anticipated new imposts arising from the Financial System Inquiry and the proposed separation of NAB’s UK Banks.

If you are an eligible shareholder, you will be sent a booklet outlining the terms and conditions of the Entitlement Offer, together with a personalised Entitlement and Acceptance Form. The eligibility criteria are outlined below. This letter is not an offer document but rather an advance notice of some key terms and conditions of the Retail Entitlement Offer. Full details of the Retail Entitlement Offer will be set out in the offer booklet (“Retail Offer Booklet”), copies of which will be available on the ASX website www.asx.com.au and NAB’s website at www.nab.com.au from 12 May 2015. These booklets will be mailed on or about 18 May 2015. Eligible shareholders should read the Retail Offer Booklet carefully and in its entirety before deciding whether to participate in the Retail Entitlement Offer.

Eligible shareholders will be able to subscribe for 2 New Shares for every 25 existing NAB ordinary shares held on the Record Date of 7.00pm (Melbourne time) on 12 May 2015 (“Entitlement”). The offer price is \$28.50 per New Share (“Offer Price”).

New Shares issued under the Entitlement Offer will rank equally with existing NAB ordinary shares from issue. The first dividend payable in respect of the New Shares will be any 2015 final dividend in respect of the financial half year ending 30 September 2015. New Shares will not be entitled to the 2015 interim dividend of 99 cents per share announced on 7 May 2015.

The Entitlement Offer comprises an institutional entitlement offer and an offer to eligible retail shareholders (as described below, “Eligible Retail Shareholders”) to participate at the same Offer Price and offer ratio (“Retail Entitlement Offer”). The Entitlement Offer is being made in accordance with section 708AA of the Australian Corporations Act 2001 (Cth) (“Act”) (as modified by Australian Securities and Investments Commission Class Order 08/35 and other relief), meaning that no prospectus needs to be prepared.

Eligible Retail Shareholders

Eligible Retail Shareholders are those persons who:

- are registered as a holder of existing NAB ordinary shares as at 7.00pm (Melbourne time) on 12 May 2015;

- have a registered address on the NAB share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such persons hold NAB ordinary shares for the account or benefit of a person in the United States);
- were not invited to participate (other than as nominee, in respect of other underlying holdings) in the institutional entitlement offer, and were not treated as ineligible institutional shareholders under the institutional entitlement offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Action that will be required by Eligible Retail Shareholders

Entitlements may have value and it is important that Eligible Retail Shareholders determine whether to (in whole or in part) take up, transfer, sell or do nothing in respect of their Entitlement.

Take up an Entitlement

Eligible Retail Shareholders who wish to take up all or part of their Entitlement, will need to complete and return the personalised Entitlement and Acceptance Form together with the requisite Application Monies (as defined in the Retail Offer Booklet), or alternatively pay their Application Monies using BPAY®, in each case by following the instructions set out on the personalised Entitlement and Acceptance Form. Applications and Application Monies must be received by the NAB Share Registry by 5.00pm (Melbourne time) on 1 June 2015.

Sell an Entitlement

There are a number of ways in which Eligible Retail Shareholders will be able to sell all or part of their Entitlement, each of which may result in a different value for those Entitlements sold:

1. If Eligible Retail Shareholders wish to sell all of their Entitlement on ASX, they will be able to instruct their stockbroker personally and provide them with details they request as will be set out on personalised Entitlement and Acceptance Forms. Entitlements will be able to be sold on ASX from 12 May 2015 to 25 May 2015.
2. Eligible Retail Shareholders who wish to take up part of their Entitlement and sell the balance on ASX, will need to:
 - in respect of the part of their Entitlement they will take up, complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies (or pay their Application Monies via BPAY by following the instructions set out on the Entitlement and Acceptance Form); and
 - in respect of Entitlements to be sold on ASX, they should instruct their stockbroker personally and provide them with details they request as will be set out on personalised Entitlement and Acceptance Forms.
3. If Eligible Retail Shareholders wish to transfer all or part of their Entitlement other than on ASX, they will need to complete and return a Renunciation and Transfer Form (which will be able to be obtained through the NAB Offer Information Line or stockbrokers) together with the Entitlement and Acceptance Form and the transferee's Application Monies to the NAB Share Registry by 5.00pm (Melbourne time) on 1 June 2015. The purchaser's address will need to be in Australia or New Zealand (unless NAB otherwise agrees) and the purchaser must not be in the United States or acting for the account or benefit of a person in the United States.

Please note brokerage may be incurred if Entitlements are sold on ASX. Eligible Retail Shareholders who sell their Entitlement before receiving confirmation of their Entitlement in the Entitlement and Acceptance Form will do so at their own risk. Correct Entitlements will be able to be confirmed from stockbrokers or the NAB Offer Information Line.

Nominees will not be able to take up Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States.

In order to exercise Entitlements, holders of Entitlements will be required to meet certain eligibility criteria that will be set out in the Retail Offer Booklet.

Do nothing

If Entitlements are not taken up, sold or transferred, Eligible Retail Shareholders will be taken to have authorised the sale of those Entitlements in the retail shortfall bookbuild. These Entitlements will be offered for sale, for the benefit of Eligible Retail Shareholders, in the retail shortfall bookbuild on 4 June 2015. Accordingly, Eligible Retail Shareholders who do not take up all of their Entitlements, will receive any proceeds in excess of the Offer Price in respect of their Entitlements, net of any applicable withholding tax. However, there is no guarantee that Eligible Retail Shareholders will receive any proceeds as a result of the retail shortfall bookbuild.

The tax consequences of selling Entitlements or from doing nothing may be different. Eligible Retail Shareholders should seek their own tax advice before deciding whether or not to participate in the Retail Entitlement Offer.

Key Dates for Eligible Retail Shareholders

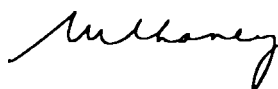
Announcement of the Entitlement Offer	Thursday, 7 May 2015
Retail Entitlements trading on ASX begins (deferred settlement)	Tuesday, 12 May 2015
Record Date for eligibility in the Entitlement Offer	7.00pm, Tuesday, 12 May 2015
Retail Entitlement Offer opens	Wednesday, 13 May 2015
Retail Offer Booklet despatched and Retail Entitlements allotted	Monday, 18 May 2015
Retail Entitlements trading on ASX begins (normal settlement)	Tuesday, 19 May 2015
Retail Entitlements trading on ASX ends	Monday, 25 May 2015
Retail Entitlement Offer closes	5.00pm, Monday, 1 June 2015
Retail shortfall bookbuild	Thursday, 4 June 2015
Settlement of the Retail Entitlement Offer	Wednesday, 10 June 2015
Issue of New Shares under the Retail Entitlement Offer	Thursday, 11 June 2015
New Shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Friday, 12 June 2015
Despatch of holding statements for New Shares under the Retail Entitlement Offer	Tuesday, 16 June 2015
Retail premium proceeds (if any) despatched to shareholders	Tuesday, 16 June 2015

The above timetable is indicative only and subject to change. All times are references to Melbourne time.

NAB reserves the right to amend any or all of these events, dates and times without notice subject to the Act, the ASX Listing Rules and other applicable laws. In particular, NAB reserves the right to extend the closing date of the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases), and to withdraw the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

For further information on the Entitlement Offer, please call the NAB Offer Information Line on 1300 367 467 (within Australia) or +61 3 9415 4299 (International), from 8.00am to 7.30pm (Melbourne time) Monday to Friday, and read the Retail Offer Booklet when available. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

Yours sincerely



Michael Chaney AO
Chairman

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Important Information

This letter is issued by National Australia Bank Limited (ABN 12 004 044 937). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in NAB in any jurisdiction. This letter does not constitute financial product advice and does not and will not form part of any contract for the acquisition of NAB ordinary shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the Entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be issued to, purchased or traded by, or taken up or exercised by, and the New Shares may not be offered or sold to, persons in the United States, or persons who are acting for the account or benefit of persons in the United States, unless they have been registered under the Securities Act, which none of NAB or the lead managers has any obligation to do or procure, or offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The Entitlements and the New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold to persons that are not in the United States and are not acting for the account or benefit of persons in the United States, in each case in 'offshore transactions' (as defined in Rule 902(h) under the Securities Act) in reliance on Regulation S under the Securities Act.

Neither this letter nor any other documents relating to the offer of Entitlements or New Shares may be sent or distributed, in whole or in part, to persons in the United States or to persons that are acting for the account or benefit of persons in the United States.

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on NAB's current expectations, estimates and projections about the industry in which NAB operates, and beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of NAB, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. NAB cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of NAB only as of the date of this release. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. NAB will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

The provision of this letter is not, and should not be considered as, financial product advice. The information in this letter is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Please read the Retail Offer Booklet, and if you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.