MEDIA RELEASE

FULL YEAR RESULTS
Clydesdale and Yorkshire Bank

MULTI-BILLION POUND NEW LENDING SUPPORTS CUSTOMERS

London, 27 October 2010: *National Australia Bank Group, owner of the Clydesdale and Yorkshire Bank, today released full year results for its UK Banking[(1)] operations for the 12 months to 30 September 2010. Unless otherwise stated, figures are comparisons with the 12 months to 30 September 2009. Highlights are:*

Financial Performance

- Pre-tax cash earnings[(2)] up **53%** to **£164 million**
- Cash earnings up **53%** to **£118 million**
- Retail deposits and longer term funding cover **105%** of lending
- Strong liquidity with liquid assets of **£10.1 billion**

Customer Support

- **£4.7 billion** of new business and mortgage lending in the past 12 months
- Firmly on track to deliver against **£10 billion** two year new lending pledge
- Average gross loans and acceptances of **£32.9 billion**
- Average retail deposit volumes up over **11%** to **£23.1 billion**: more than double the industry average growth[(3)]

Business Performance

- Interest earning assets up £**2.0** billion (**5%**) to **£41.1 billion**
- Charge to provide for bad and doubtful debts down **18%** (£74 million)

Lynne Peacock, Chief Executive, said:

"Our clear focus on supporting customers and maintaining a prudent approach to credit has proved to be very effective. We are attracting growing numbers of small and mid-corporate trading businesses and expanding our mortgage book which is greatly encouraging. Although the economy is in the early stages of recovery, we advanced £4.7 billion of new lending in the year and remain firmly on track to deliver the two-year new lending commitment of £10 billion we made last October.

"As a result of this strategic focus, a significant step forward has been taken towards restoring profitability with a 53% increase in pre-tax cash earnings. This was achieved whilst we further strengthened and re-shaped our balance sheet, maintained a strong capital position and supported our customers through challenging times.

"While national economic recovery will provide further challenges, Clydesdale and Yorkshire Bank is in a strong position and continues to send a clear message to new and existing customers that they have real choice and support in the market."

Financial Performance

Clydesdale and Yorkshire Bank achieved a substantial recovery in profitability in the year, with pre-tax cash earnings growth of 53% to £164 million (from £107m).

This significant improvement in profitability was achieved while balancing profit with increased security. The Bank has continued to strengthen and reshape its balance sheet in preparation for the UK economy returning to more stable conditions.

Liquidity levels further strengthened and, as at 30 September 2010, Clydesdale Bank held a substantial portfolio of liquid assets totalling £10.1 billion (from £8.7bn in September 2009) – a four-fold increase in three years.

Double-digit deposit growth continued despite intense market competition. Average retail customer deposits grew by 11% or £2.3 billion to £23.1 billion – more than double the UK industry average growth rate[(3)]. Deposit growth across iFS was 13% with the retail network delivering 8%. This growth has helped to further strengthen the Banks' funding position with longer term wholesale funding, retail deposits and longer term funding now covering 105% of lending.

Capital ratios were further improved during the period. An additional £310 million of ordinary share capital was injected into Clydesdale Bank, further strengthening an already robust capital base. At 30 September 2010, the Tier 1 capital ratio was 9.0% (up from 8.2% at September 2009).

Supporting Customers

Supporting customers in the early stages of the economic recovery remains a key business priority. Clydesdale and Yorkshire Bank has an unwavering commitment to providing funding when business and personal customers need it most as well as ensuring that help is provided to any customers facing financial difficulties.

Despite subdued market demand for credit, new lending of £4.7 billion was advanced in the year including £2.7 billion of business lending and £1.7 billion of mortgage advances. As a result of portfolio rebalancing, commercial property lending fell (down 14%) whilst the momentum of lending to trading businesses was maintained and mortgage lending increased.

Average gross loans and acceptances were broadly flat at £32.9 billion (from £33.3bn), as a result of consciously reducing commercial property (down 11.3%) and unsecured personal lending exposures (down 12.5%). Lending for mortgages and trading businesses grew by 4% and 3% respectively.

The business remains firmly on track to deliver against its October 2009 pledge to make £10 billion of new lending available to support business and personal customers by October 2011. With a strong appetite to further grow its mortgage book and pipeline of trading and mid-corporate businesses the Bank is sending a clear message to new and existing customers that they continue to have real choice and support in the market.

In response to growing business customer confidence, iFS business banking launched a new support initiative in May to help UK trading businesses 'Invest for Growth.' Offering a dedicated planning service designed to help businesses take advantage of quality growth opportunities by providing investment finance, increasing cash flow and easing debt commitments.

Performance Measures

Asset quality measures continue to reflect the current operating environment in the UK. The charge to provide for bad and doubtful debts decreased by £74 million (18%) compared with the prior year. This reflects the general improvement in the economic environment and commercial property prices. It remains an area under close management scrutiny.

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Showing continued prudence in the early stages of the economic recovery, the total provision to gross loans and acceptance ratio was strengthened to 1.46% (from 1.37% at September 2009). Mortgage balances 90 days past due as a percentage of total mortgages are significantly lower than the industry (0.76% at September 2010).

Significant investment in the business continued within the year with a £3 million increase in cash spend to £90 million. An additional £28 million in higher defined benefit pension costs due to lower expected returns from the fund's assets primarily contributed to an operating expense increase of £43 million (6%). The cost to income ratio increased to 58.2% (from 55.9%). Excluding the defined benefit pension cost increase and the reduction in Other Operating Income from PPI the cost to income ratio improved by 80 basis points.

Interest earning asset volumes increased by £**2.0** billion (up **5%**) to £41.1 billion. Net interest income increased £81 million (up 9%) as a result of widening lending margins and reduced basis risk costs. The net interest margin increased to 2.34% (from 2.25%) as a result of improved lending margins and a reduction in basis risk, partially offset by deposit margins and lower earnings on capital.

The inherent balance sheet strength and capital position of Clydesdale and Yorkshire Banks provides a strong platform from which to take advantage of future growth opportunities.

About the National Australia Bank Group
An international financial services organisation providing a comprehensive and integrated range of financial products and services, NAB is one of the world's top financial services companies and serves almost 11 million banking customers. The NAB Group's results are available on www.nabgroup.com.au

[1] UK Banking consists of banking and wealth management activities in the UK operating under the Clydesdale Bank and Yorkshire Bank brands. It does not include NAB's wholesale banking operations in the UK.
[2] Cash earnings exclude fair value and hedge ineffectiveness income/expense and significant items. A full definition is set out in the NAB Profit Announcement under Glossary of Terms. The results above are those of the NAB UK Banking division and are not those of Clydesdale Bank PLC.
[3] Source: Bank of England – August 2010.

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UK BANKING:

	Year to			Half Year to		
	Sep 10 £m	Sep 09 £m	Sep 10 v Sep 09 %	Sep 10 £m	Mar 10 £m	Sep 10 v Mar 10 %
Net interest income	**962**	881	9.2	**472**	490	(3.7)
Other operating income	**261**	316	(17.4)	**134**	127	5.5
Net operating income	**1,223**	1,197	2.2	**606**	617	(1.8)
Operating expenses	**(712)**	(669)	(6.4)	**(359)**	(353)	(1.7)
Underlying profit	**511**	528	(3.2)	**247**	264	(6.4)
Charge to provide for bad and doubtful debts	**(347)**	(421)	17.6	**(164)**	(183)	10.4
Cash earnings before tax	**164**	107	53.3	**83**	81	2.5
Income tax expense	**(46)**	(30)	(53.3)	**(26)**	(20)	(30.0)
Cash earnings	**118**	77	53.2	**57**	61	(6.6)
Average Volumes (£bn)						
Gross loans and acceptances	**32.9**	33.3	(1.2)	**32.7**	33.0	(0.9)
Interest earning assets	**41.1**	39.1	5.1	**41.3**	40.9	1.0
Total assets	**44.5**	42.5	4.7	**44.6**	44.4	0.5
Retail deposits	**23.1**	20.8	11.1	**23.7**	22.5	5.3
Capital (£bn)						
Risk-weighted assets - credit risk (spot)	**30.6**	29.4	4.1	**30.6**	29.4	4.1
Total risk-weighted assets (spot)	**33.8**	32.0	5.6	**33.8**	32.1	5.3
Performance Measures						
Cash earnings on average assets	**0.27%**	0.18%	9 bps	**0.25%**	0.28%	(3 bps)
Net interest margin	**2.34%**	2.25%	9 bps	**2.28%**	2.40%	(12 bps)
Cost to income ratio	**58.2%**	55.9%	(230 bps)	**59.2%**	57.2%	(200 bps)
Cash earnings per average FTE (£'000s)	**14**	9		**14**	15	
FTEs (spot)	**8,355**	8,295		**8,355**	8,239	