

FULL YEAR RESULTS
Clydesdale and Yorkshire Banks

PROGRESS AGAINST STRATEGY IN CHALLENGING MARKET

31 October 2012: National Australia Bank, owner of Clydesdale and Yorkshire Banks, today released results for its UK Banking⁽¹⁾ operations for the 12 months to 30 September 2012. Unless otherwise stated, figures are comparisons with the 12 months to 30 September 2011.

David Thorburn, Chief Executive, said:

“We are making progress with implementing our strategy to become a stronger and more competitive business in what remains a very difficult economic environment. Our current restructure will simplify our business model and enable us to focus on our traditional strengths.

“The past year’s performance, however, demonstrates the need for the difficult steps we are taking. Underlying profits are down to £448 million in the year with a cash earnings loss of £139 million. In addition to higher funding and liquidity costs, this reflects the higher charges to provide for bad and doubtful debts which increased to £631 million against a backdrop of prolonged economic uncertainty, particularly the further deterioration in the commercial property market.

“The successful planned transfer of the vast majority of commercial real estate assets, £5.6 billion before provisions, to NAB earlier this month is a significant step in further strengthening our funding position as well as improving our balance sheet structure going forward.”

Business Performance

- Underlying profits⁽²⁾ down 15.9% to **£448 million**
- Pre-tax cash earnings⁽²⁾ loss of **£183 million**
- Average gross loans and acceptances up £600 million to **£33.6 billion**
- Charge to provide for bad and doubtful debts up £335 million to **£631 million**
- Reduction of 468 roles as part of the planned 1,400 role reduction by September 2015

The charge to provide for bad and doubtful debts was mainly from business lending losses and, in particular, further deterioration in commercial property market values. The commercial real estate business, comprising of assets with balances before provisions of £5.6 billion, was transferred to NAB Ltd on 5 October 2012. A key outcome of the strategic review announced on 30 April 2012, it marks a major step in simplifying the Bank’s business model, improving the balance sheet structure and significantly improves the funding position of the Bank.

Net interest income decreased by £108 million (11.1%) driven by higher funding and liquidity costs.

Average gross loans and acceptances increased by £600 million to £33.6 billion. Strong support for mortgage customers was a key driver of this increase with mortgage growth of 9.8%. Business lending balances decreased by 2.8% compared to a reduction of 5.1% for the wider market.

MEDIA RELEASE

Average retail customer deposits grew by £500 million to £25.3 billion in a highly competitive market. Deposit levels continue to be carefully balanced with lending opportunity.

Operating expenses decreased by £29 million (4%) as a result of pro-active management of the business cost base. Nevertheless, lower income levels saw the cost to income ratio increase to 60.9% (from 57.7%).

At September 2012, Clydesdale Bank plc's Tier 1 capital ratio was 9.6%. Following the commercial real estate asset transfer, Clydesdale Bank's pro forma Tier 1 ratio is 11.6%.

Notes for editors:

⁽¹⁾ The results above are for NAB UK Banking and not those of Clydesdale Bank PLC. 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⁾ Unless otherwise stated, information in this document is presented on a cash earnings basis. "Cash earnings" is a key non-GAAP financial performance measure used by NAB. "Cash earnings" are calculated by excluding certain items which are otherwise included within the calculation of net profit attributable to owners of the company, in order to better reflect what NAB considers to be the underlying performance of the Group. 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. Underlying Profit excludes the charge to provide for bad and doubtful debts.

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