

Q3 TRADING UPDATE

Clydesdale and Yorkshire Banks

London, 22 July 2009: National Australia Bank Group, owner of the Clydesdale and Yorkshire Banks, today released a trading update for its UK Region's operations in the quarter to 30 June 2009

Customer Support

- £1 billion of gross new lending was advanced in the quarter
- In total £2.9 billion of new lending has been advanced in the past nine months
- Despite intense sector competition, average retail deposits grew strongly, up 4% in the quarter reflecting continued brand and bank strength

Business Performance

- Strong revenue growth and continued disciplined cost control were achieved in the quarter
- While funding costs remain at historically high levels, the lowering spread between Base Rate and three month LIBOR has brought some relief with a 90 day rolling average of 120bps for the quarter (96bps in June versus 211bps in the first half)
- Although gross new lending increased by £1 billion in the quarter, total Gross Loans and Acceptances were flat reflecting the deliberate run off of unsecured consumer credit and commercial property exposures
- The bad and doubtful debt charge rose due to continued economic deterioration. Asset quality measures deteriorated in the quarter, particularly in the business portfolio, reflecting the contraction in the UK economy and remains a key management focus
- The ratio of 90 days past due and gross impaired assets to gross loans and acceptances increased by 60bps in the quarter to 259 bps at 30 June 2009
- Within the mortgage portfolio, the ratio of 90 days past due as a percentage of total lending increased from 0.75% to 0.93% over the quarter. At less than 40% of the UK industry average (2.39%), this is a continued strong performance

Lynne Peacock, Chief Executive, said:

“Our commitment to supporting customers in these unprecedented market conditions remains a key and enduring focus for Clydesdale and Yorkshire Banks.

“We have remained open for business throughout the market upheaval. Having already advanced almost £3 billion of new lending to business and mortgage customers in the past nine months, we are now pledging to make a further £1 billion of new lending available - at a time when customers need it most.

“We are able to make this pledge, while continuing to maintain our robust credit and asset quality controls, because of our strong foundations, the strength of our capital position and improved funding from continued strong deposit growth.

“While not immune from the historically high funding costs and increased bad and doubtful debts, we achieved strong revenue growth in the quarter. Our business continues to be in good shape and we are well placed for future growth when more benign market conditions return.”

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