

Clydesdale and Yorkshire Banks announce trading update

London, 6 February 2009: National Australia Bank Group, owner of Clydesdale and Yorkshire Banks, has released a December quarter trading update for its operations including the UK.

Key points

- Our UK operations have been impacted by the unprecedented market conditions but continue to be profitable
- The dislocation of the wholesale markets led to exceptionally high funding costs and, together with our conservative approach to liquidity and funding, had an inevitable consequence for bank profit
- The bad and doubtful debt charge rose due to continued market deterioration
- The ratio of 90 days past due and gross impaired assets to gross loans and acceptances increased by 65bps in the quarter to 164bps at 31 December 2008, however provision coverage ratios were strengthened
- The business continues to exhibit strong and disciplined cost control
- Despite the challenging market environment, the UK operations continued to be profitable and ahead of peers on most key indicators
- An already strong funding position was improved by a strong deposit performance (up 5%) illustrating in market “flight to safety”
- The rate of business lending growth slowed but 9 out of 10 applications continue to be approved – the same level as a year ago
- iFS business banking is a key point of differentiation with UK peers and is proving effective in helping our customers in this challenging environment

National Australia Bank Group Chief Executive, Cameron Clyne, said:

“The UK management team continues to take a prudent and proactive approach to managing risk and cushioning the impact of the market environment. During this period of unprecedented turbulence they sensibly elected to maintain a very conservative liquidity and capital position. While this will have an inevitable consequence for top of bank profit, it has ensured that the business remains in the strongest possible position to capitalise on future growth opportunities as one of the last independent mid-sized banks in the UK.”

Lynne Peacock, Chief Executive, added:

“Our business is built on very solid foundations. Clearly we don’t operate in isolation from the market or the tough trading environment; however, our conservative and prudent traditional banking model continues to differentiate us favourably against our peers.

“The continued strength of our capital position, where no Government support has been required, and an improved funding position particularly from “flight to safety” deposit growth, serve to further illustrate our business resilience. In the period, margins have been reviewed to reflect market risk and the cost of funds. Despite the tough trading environment, we continue to be well positioned for selective quality growth when the market stabilises to more benign conditions.”