



Group Corporate Affairs

National Australia
Bank Limited
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Australia

ASX Announcement

Melbourne, Tuesday 14th December 2004

National sells Irish banks to the Danske Bank Group

National Australia Bank today announced it had reached an agreement to sell Northern Bank and National Irish Bank to the Danske Bank Group for A\$2.5 billion (£967 million) in cash. The profit on sale is expected to be approximately A\$1.1 billion.

The National's Chief Executive, Mr John Stewart, said the sale of the two businesses was a win-win outcome for the National and Danske: "This is an excellent outcome for the National. We have achieved an attractive price for these banks, generating a significant profit and strengthening our capital base. It also opens an exciting new chapter for the two Irish banks and for Danske."

"Importantly, the sale will allow our leadership team to focus all their attention on our operations in Great Britain. We are committed to retaining and growing these businesses and we are making good early progress on some key strategic projects, including expansion into South East England with our financial solutions centres, the ongoing integration of our banking operations and a revamp of our product range. As such, we are confident that they can generate long-term shareholder value for the National."

The National intends to provide the market with more detail about our growth strategy for Great Britain in February.

The use of the sale proceeds by the National will be determined when there is greater clarity on a number of issues which have a potential impact on the National's capital position. These issues include: determining the quantum of 2005 first half restructure charges, removal of additional capital requirements by the Australian Prudential Regulation Authority (APRA) and the impact of new international accounting standards on the National's capital position. It is unlikely we will have clarity on all of these issues before the National's 2005 half year results.

The headline price represents a price to book multiple of approximately 2.1 times and a pro forma 2004 price/earnings (PE) multiple of approximately 13.1 times.

As a result of the sale, the National's ACE ratio is expected to increase by A\$1.8 billion from 5.3 per cent to 6.0 per cent.

If the sale proceeds are retained for a full year from transaction, diluted earnings per share will decrease by approximately 2.4 per cent, calculated on a 2004 pro forma basis.

The National will retain the profits from the two Irish banks until the transaction is completed, which is expected to be during the first quarter of calendar 2005.

Transitional services will be provided by the National to Danske in respect of the Northern Bank and National Irish Bank operations to assist in the smooth transition of ownership of those businesses. These transitional services will be provided at cost and are expected to be in place for up to 18 months.

The transaction is conditional upon certain regulatory approvals (consent of the FSA in UK, IFSRA in Ireland, FSC on the Isle of Man and the European Commission). Warranties consistent with this type of transaction have been given and indemnities are provided to protect Danske from certain risks which are adequately provided for by the National (including in respect of any liabilities arising in connection with the High Court investigation).

Employees of Northern Bank and National Irish Bank will transfer with the sale and the Irish management team will be retained by Danske to help grow the business.

National Australia Bank Limited was advised by Lazard & Co., Limited ("Lazard") regarding the transaction.

For further information:

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Media Alert

National Australia Bank Chief Executive John Stewart and Chief Financial Officer Michael Ullmer will host a market briefing teleconference at 6.45pm today Australian Eastern Standard Time.

Slides referred to in this presentation will be lodged with the ASX and available at www.nabgroup.com

Media may dial into the teleconference on a listen only basis.

Media please call: 1800 555 619 in Australia

0800 888 013 in New Zealand

0800 068 9834 in the UK

The Password is National.

All analysts wishing to participate in the teleconference please call Karen Cush on 0404 881 517 for dial in details.

Editors notes:***National Australia Bank***

The National Australia Bank is the largest financial services company in Australia, with operations in New Zealand, Asia, the United States and United Kingdom. The National employs just over 47,000 staff and has nearly 11 million customers worldwide. The National acquired Northern Bank and National Irish Bank when it acquired Clydesdale Bank from Midland Bank in 1987.

Northern Bank

Northern Bank is the largest retail bank in Northern Ireland, with about 2,300 employees, 95 branches and 13 business banking centres. It has 36 per cent of the market for small and medium-sized enterprises and 21 per cent of the personal current account market. Northern Bank has 415,000 retail and business customers, and lending totals £3.2 billion.

National Irish Bank

National Irish Bank has an important position in the banking market in the Republic of Ireland. It has about 800 employees, 59 branches and 13 business banking centres. In addition to serving retail customers, the bank also caters for high net-worth individuals and mid-sized corporate customers. National Irish Bank has 167,000 retail and business customers, and lending totals €2.9 billion.

Danske Bank

Danske Bank, based in Copenhagen, is the largest bank in Denmark and the second-largest financial services enterprise in Scandinavia. The Danske Bank Group's main divisions include Danske Bank and BG Bank in Denmark, Danske Bank in Sweden, and Fokus Bank in Norway. It has a number of other subsidiaries and also offers mortgage finance, life and pensions, asset management, brokerage, real estate and leasing services. The Group has a network of 464 branches in Denmark and serves about three million retail customers in Denmark, Norway and Sweden. It also has a significant share of the corporate, public and institutional sectors in the region. All of the Group's divisions, including units in London, Hamburg, Luxembourg, Helsinki and Warsaw, operate on a single IT platform, enabling the Group to achieve substantial operating synergies, flexibility in product development and delivery, and enhanced customer service. The Danske Bank Group employs almost 18,000 people.