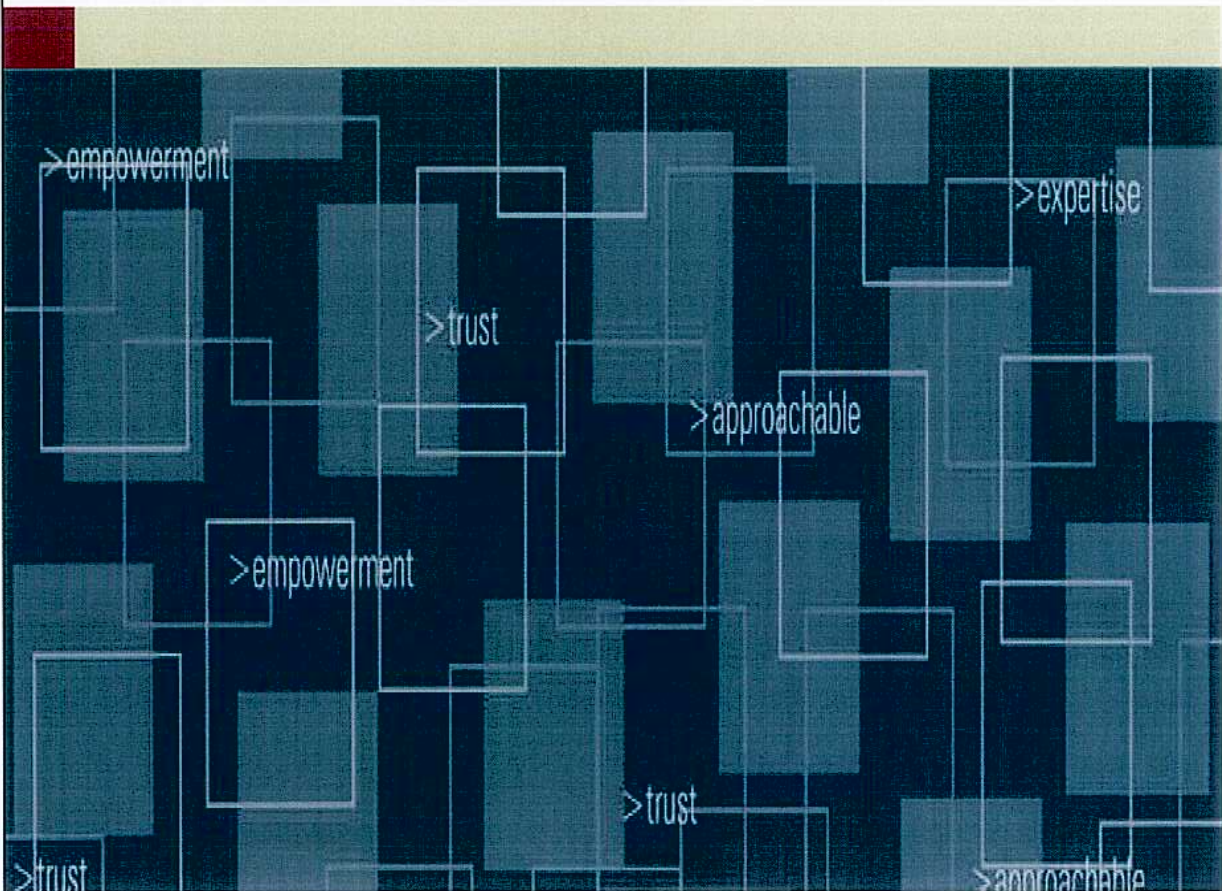


# Clydesdale Bank

Clydesdale Bank PLC - Interim Consolidated Financial Statements  
For the 6 months ended 31 March 2008



 Clydesdale Bank

 Yorkshire Bank

**CLYDESDALE BANK PLC**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS ENDED 31 MARCH 2008**

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**CLYDESDALE BANK PLC**  
**Officers and Professional Advisers**

|                            |                       |  |
|----------------------------|-----------------------|--|
| <b>Directors</b>           | <b>Chairman :</b>     | Sir Malcolm Williamson #   |
|                            | <b>Executive:</b>     | Lynne Peacock (Chief Executive Officer) #<br>Gavin Slater #<br>David Thorburn  |
|                            | <b>Non-executive:</b> | Jonathan Dawson * #<br>Sir David Fell KCB *<br>Richard Gregory OBE * #<br>Roy Nicolson * #<br>Peter Wood *   |
|                            |                       | * Member of the European Board Audit Committee<br># Member of the European Board Risk Committee  |
| <b>Executive Committee</b> |                       | Lynne Peacock, Chief Executive Officer<br>Gavin Slater, Executive Director<br>David Thorburn, Executive Director<br><br>Tom Burns, Chief Risk Officer<br>Margaret Butler, Quality and Efficiency Director<br>Debbie Crosbie, Chief Information Officer<br>Dean Cutbill, Products & Marketing Director<br>Glenn King, Operations Director<br>Steve Reid, Retail Director<br>Bruce Rose, Managing Director & Head of nabCapital UK<br>Sue Sjuve, Group General Manager, Inclusion & Diversity<br>Iain Smith, Chief Financial Officer<br>Arthur Willett, Human Resources Director<br>Mike Williams, Executive General Manager iFS |
| <b>Secretary</b>           |                       | Michael Webber   |
| <b>Registered Office</b>   |                       | 30 St Vincent Place<br>Glasgow G1 2HL  |
| <b>Company Number</b>      |                       | SC001111   |
| <b>Bankers</b>             |                       | National Australia Bank Limited  |
| <b>Auditor</b>             |                       | Ernst & Young LLP<br>Registered Auditor  |

**CLYDESDALE BANK PLC**  
**Chairman's Statement**



**Sir Malcolm Williamson, Chairman**

It gives me great pleasure to present the 2008 interim report of Clydesdale Bank. Over the last three years, we have been working hard to transform the Bank into a business that people want to do business with through the development of a business model that delivers strong and sustainable growth.

Market conditions in the last nine months have been volatile and turbulent and whilst these conditions could not have been foreseen, our traditional banking model, offering a full range of products and services to business and retail customers, has proved resilient in very tough conditions. The growth has been achieved through diversified lending, funding and geographical spread across the UK and by maintaining capital ratios that remain amongst the strongest in the banking industry. In particular, the Bank's continued strategy to concentrate on traditional banking activities without recourse to sub prime or self-certified lending has resulted in it delivering an excellent trading performance during the volatile and turbulent conditions that prevailed during the period.

These firm foundations that have been built over the past three years, have provided a strong basis for growth in both deposits and high quality lending. The Retail branch network performed well in these challenging conditions whilst business banking, through our maturing Integrated Financial Solutions Centres, again delivered an outstanding performance.

Despite the significant progress and investment made in the business, we have exercised exceptionally firm cost control and ongoing business efficiency improvements have delivered five consecutive halves of flat costs.

We are very proud of our achievements over the past three years. We believe we are well prepared for the challenging market conditions in which we operate, offering a resilient, sound and well diversified business model that has continued to demonstrate strong sustainable growth and profit momentum.

A handwritten signature in blue ink, which appears to read "Malcolm Williamson". The signature is fluid and cursive.

**Sir Malcolm Williamson**  
Chairman  
26 June 2008

## CLYDESDALE BANK PLC

### Business Review



Lynne Peacock, Chief Executive Officer

#### Overview

Clydesdale Bank PLC (the "Bank") together with its subsidiary undertakings (which together comprise the "Group") is the United Kingdom (UK) arm of the National Australia Bank Limited ("NAB"). The Group provides a full range of traditional banking products and services to business and retail customers through its Clydesdale Bank and Yorkshire Bank brands, together with commercial banking products from nabCapital. Over a period characterised by extreme market turbulence the Group's business model has been very effective in delivering continued strong and sustainable growth while maintaining a diversified and cautious approach to both liquidity and funding.

#### Strategic Highlights and Business Developments

The Group delivered an excellent result with operating profit for the 6 months ended 31 March 2008 of £226m increasing 18.9% over the March 2007 half.

Profit after tax increased 26.2% over the March 2007 half. This result included £15 million of interest cost generated by the adverse market conditions.

The Group continues to execute the strategy outlined in 2005. This involves planned growth of market share in high quality assets through the Integrated Financial Solutions ("iFS") relationship proposition and secured personal lending, while reducing dependency on unsecured lending such as credit cards and personal loans.

iFS continued to build business in both established and new locations, growing both assets and deposits. Average business lending balances increased by 27.1%, and retail deposit balances by 22.0% compared to March 2007 comparative period. With effect from October 2007, £965m of mid market corporate business previously serviced by nabCapital UK was transferred to UK Financial Services in order to use the iFS network to leverage these relationships. iFS revenues continued to grow strongly, up 27.2% on March 2007.

The Retail business continued to be upgraded to market leading standards in terms of facilities, staff and products. This included an ongoing branch refurbishment programme, manager training to provide more entrepreneurial skills in branches, and a number of new product launches. Retail revenues grew by 1.8%.

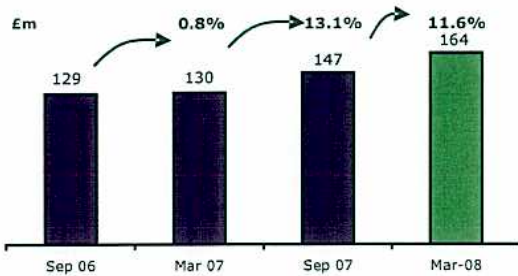
The operating lease book was disposed of during the half in line with the strategy of exiting low return non-core operations.

Flat costs have now been achieved over 5 consecutive halves through further process improvements and cost reduction initiatives, resulting in a cost to income ratio of 54.6%, down 220 basis points on the March 2007 half.

Asset quality remains strong with a prudent approach to lending and a diversified portfolio.

**CLYDESDALE BANK PLC**  
**Business Review (continued)**

**Consolidated profit after tax**



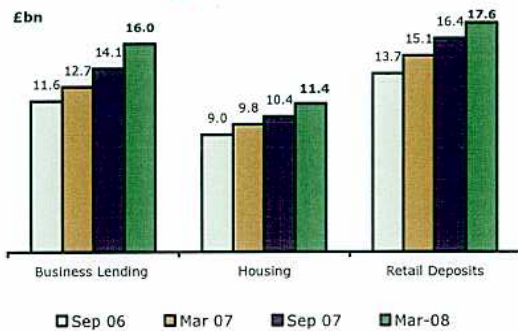
**Income and Expense Trends**



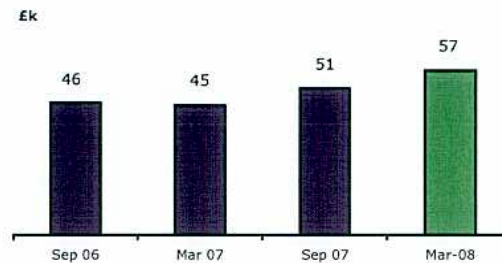
**Cost to Income ratio**



**Half Year Averages**



**Profit per average FTE**



Over the past three years the Group has made itself more resilient by diversifying its lending, funding and geographical spread. The proportion of unsecured personal lending has been reduced, whilst business lending increased across a range of sectors. Diverse funding sources have been developed to complement the strong retail deposit base and provide greater flexibility.

Significant investment in staff and infrastructure has ensured the business is built on solid foundations and is well placed to continue growth. iFS is maturing beyond the start up phase and has strong potential with a flexible business model and a customer proposition that is still unique in the UK market. The margin contraction is slowing and the cost to income ratio continues to fall through income growth whilst holding costs flat, notwithstanding the substantial investment made during the past three years. These foundations provide an excellent basis for future development.

**Operating Environment**

Weaker prospects resulting from the global credit issues will weigh on the UK economy in 2008 and will continue into 2009. The economy grew by 0.4% in the three months to March 2008. This was a slowdown from the 0.6% pace seen in the fourth quarter of 2007 and the third consecutive quarter of below-trend growth.

We now expect the UK economy to grow by 1.75% in 2008 and by circa 1.6% in 2009, which would be the weakest economic performance for 15 years. Although there have been concerns that spending on the High Street will slow sharply, surveys and official data have yet to show such a downturn. However, economic conditions will remain challenging over the next 18 months and the economy may not return to trend growth until 2010.

## **CLYDESDALE BANK PLC**

### **Business Review (continued)**

#### **Operating Environment (continued)**

Funding and Liquidity costs continue to be impacted by the turbulence in the market. The average spreads between base rate and 1 month and 3 month LIBOR in the first half of the year were 38 basis points and 52 basis points respectively which remain high relative to historic averages of 11 and 18 basis points.

The Office of Fair Trading investigations into the operation of the personal current account market and its own assessment of the level of charges are ongoing. Separately, on 24 April 2008, the High Court issued judgement on the first stage of the test case involving a number of banks. The Court held that terms which impose charges are capable of being assessed for fairness under the Unfair Terms in Consumer Contracts Regulations 1999, although no finding has been made that the terms are in fact unfair. The Banks have been given leave to appeal against this judgement. The Court also examined a number of sets of terms and conditions and held that they did not amount to unenforceable penalties at common law. Further Court hearings will be required before the test case process is concluded. The next hearing is scheduled for 7 and 8 July 2008 although no date has been given for the hearing of the appeal. The waiver issued by the FSA on 27 July 2007 remains in place to 26 July 2008 and may well be extended for a further period. Further information is given in Note 14 of the Interim Consolidated Financial Statements.

#### **Customer, Employee and Community**

##### **Customers**

Trends of customer acquisition were maintained and customer retention rates improved significantly. The iFS proposition continued to achieve a high revenue and volume growth.

The Financial Services Authority has issued its 'Treating Customers Fairly' principles for the UK and these are being embedded throughout the business.

##### **Employees**

During the period a three-year salary deal with the trade union Unite was successfully negotiated. This provides stability and assurance to both our people and the Group at a time of economic uncertainty.

##### **Community**

The Group continues to invest in the communities in which it operates. Two high profile sponsorships - Scottish Premier League football and the National Trust - continue to help promote brands whilst engaging customers and employees. As sponsor, Clydesdale Bank looks forward to supporting the Scottish Team for the 2008 Youth Commonwealth Games.

Over the last three years, the Group supported the British Heart Foundation resulting in over £500,000 being raised through a range of employee-led activities for pioneering research into heart disease and the care and support of sufferers. From 1 February, a partnership was launched with Help the Hospices which supports over 200 charities that care for terminally ill patients. Support is provided in the form of training, education, information, grant-aid advice and fundraising help.

A number of initiatives supporting the goal of being carbon neutral by September 2010 were implemented in the 6 months ended 31 March 2008. These included the re-engineering of printed branch reports and the introduction of software that enables PCs to be powered off and on from a remote location, to reduce waste energy and save costs. Smart Boxes, that measure energy consumption, have been rolled out throughout the property network to further identify opportunities to reduce energy consumption.

##### **Awards**

*Your Mortgage* magazine named Clydesdale Bank as "Best Mortgage Lender in Scotland" for the fourth year running and Yorkshire Bank "Best Regional Mortgage Lender" for the ninth year running.

The Group's IT team recently won "IT team of the year" in the UK Financial Services Sector Technology Awards. This was in recognition of achievements made in the last three years particularly in efficiency savings.

Clydesdale Bank was included in the publication '2008 Business Superbrands' for activities regarding Corporate and Social Responsibility. It was also ranked in the "Top 100 Companies that Count" by the Business in the Community Corporate Reporting Index.

**CLYDESDALE BANK PLC**  
**Business Review (continued)**

**Financial Analysis**

|  | Half year to |            |            | Mar 08 v    | Mar 08 v    |
|--|--------------|------------|------------|-------------|-------------|
|  | Mar 08       | Mar 07     | Sept 07    | Mar 07      | Sept 07     |
|  | £m           | £m         | £m         | %           | %           |
| Net interest income                              | 449          | 423        | 439        | 6.1         | 2.3         |
| Non interest income                              | 181          | 176        | 171        | 2.8         | 5.8         |
| <b>Total operating income</b>                    | <b>630</b>   | <b>599</b> | <b>610</b> | <b>5.2</b>  | <b>3.3</b>  |
| Total operating expenses                         | (346)        | (345)      | (345)      | (0.3)       | (0.3)       |
| <b>Operating profit before impairment losses</b> | <b>284</b>   | <b>254</b> | <b>265</b> | <b>11.8</b> | <b>7.2</b>  |
| Impairment losses on credit exposures            | (58)         | (64)       | (53)       | 9.4         | (9.4)       |
| <b>Group operating profit</b>                    | <b>226</b>   | <b>190</b> | <b>212</b> | <b>18.9</b> | <b>6.6</b>  |
| Significant items                                | 6            | -          | 2          | large       | large       |
| <b>Profit on ordinary activities before tax</b>  | <b>232</b>   | <b>190</b> | <b>214</b> | <b>22.1</b> | <b>8.4</b>  |
| Tax expense                                      | (68)         | (60)       | (67)       | (13.3)      | (1.5)       |
| <b>Profit for the period</b>                     | <b>164</b>   | <b>130</b> | <b>147</b> | <b>26.2</b> | <b>11.6</b> |
| <b>Average volumes (£bn)</b>                     |              |            |            |             |             |
| Gross loans and acceptances (1)                  | 30.0         | 24.6       | 27.0       | 22.0        | 11.1        |
| Interest earning assets                          | 34.0         | 27.3       | 30.7       | 24.5        | 10.7        |
| Total assets                                     | 36.2         | 28.6       | 32.8       | 26.6        | 10.4        |
| Retail deposits (2)                              | 17.6         | 15.1       | 16.4       | 16.6        | 7.3         |
| <b>Performance measures (annualised)</b>         |              |            |            |             |             |
| Profit on average assets                         | 0.91%        | 0.91%      | 0.90%      | 0bps        | 1bp         |
| Net interest margin                              | 2.64%        | 3.10%      | 2.84%      | (46bps)     | (20bps)     |
| Cost to income ratio                             | 54.6%        | 56.8%      | 55.8%      | 220bps      | 120bps      |
| Profit per average FTE (3) (£'000s)              | 57           | 45         | 51         |             |             |
| FTEs (3) (spot)                                  | 5,756        | 5,748      | 5,681      |             |             |

- (1) Gross loans and acceptances includes gross loans and advances to customers, loans designated at fair value through profit and loss and due from customers on acceptances.  
(2) Retail deposits include current accounts, savings accounts and term deposits.  
(3) The FTE numbers above disclose the staff remunerated directly by the Group but exclude employees working within other National Australia Group Europe Limited subsidiaries who provide support services to the Group. The number of staff employed in the UK Region at 31 March 2008 was 8,966.

**March 2008 v March 2007**

**Profit after tax** increased 26.2% (£34 million) on the prior comparative period reflecting higher income, flat expenses, and a reduced charge to provide for doubtful debts. The result includes a £15 million additional cost resulting from the impact of the current market turbulence.

**Average gross loans and acceptances** increased 22.0% (£5.4 billion) on the prior comparative period.

Business lending volumes grew 25.1% (£3.3 billion). This growth is largely driven by the continued success of the iFS proposition and its increasing customer base. A managed approach to mortgage lending (balancing the volume and margin trade off) has resulted in 16.3% (£1.6 billion) mortgage volume growth mainly in the offset mortgage product through the retail and direct channel network, also helped by lower mortgage redemptions. Exposure to credit card and personal loan lending has again reduced as planned, with average balances declining 6.5% over the half year. These two business areas now represent 4.9% of total assets.

**Average retail deposit volumes** grew 16.6% (£2.5 billion) in a highly competitive market, reflecting our continued focus on this area and in particular the continued momentum in iFS with average deposit growth of 22.0%.

**Net interest income** increased 6.1% reflecting the strong balance sheet growth partially offset by margin contraction.

The **net interest margin** decreased 46 basis points from 3.10% to 2.64%. The underlying margin contraction of 33 basis points was primarily driven by continued planned changes in product mix and the cost of wholesale funding relative to deposit funding.

As noted earlier, market conditions have had a significant impact on the margin driving a 13 basis point reduction: the increased costs of wholesale funding and the desire to maintain higher levels of liquidity resulted in a 7 basis point reduction and basis risk movements have depressed the margin by a further 6 basis points.



## CLYDESDALE BANK PLC

### Business Review (continued)

**Other operating income** has increased by 2.8% (£5million). Fair value and hedge ineffectiveness income increased £6 million, nabCapital foreign exchange and derivative fee income increased £5 million and Financial Services lending related fees were £2 million higher. Partially offsetting these increases, the operating lease business was disposed of in December 2007, resulting in a £9 million reduction in related income (partially offset in expenses and one-off net gain on disposal of £1 million).

**Operating expenses** were flat on the prior corresponding period. Investment costs, including the recruitment of an additional 89 full time equivalent employees ("FTEs") in iFS during the half, additional depreciation arising from investment spend in prior periods and general wage inflation have been offset by reduced back office FTEs, efficiency savings and process improvements. In addition the sale of the operating lease business reduced expenses by £8 million in the current half offset by a reduction in other operating income.

The **cost to income** ratio at 54.6% improved by 220 basis points over the March 2007 half year, reflecting the continued improvements in revenue and cost performance.

The **charge for doubtful debts** decreased 9.4% against the prior corresponding period. As previously signalled, the increase in collective provisions from growing business lending volumes has been mitigated by the portfolio shift away from unsecured personal lending and actions taken over the past 2 years continue to improve asset quality in these areas. Additionally, improved arrears management has ensured that the value of accounts 90 or more days past due (90+days past due) has remained stable despite a growing lending book.

The effective **tax** charge at 29.3% benefits from retrospective credits for research and development spend and a reduction in the corporation tax rate.

#### March 2008 v September 2007

**Profit after tax** increased 11.6% (£17 million) on the September 2007 half, showing continued progress in delivering strong and sustainable results. This increase includes £10 million for costs driven by market turbulence.

**Average gross loans and acceptances** increased 11.1% (£3 billion) on the September 2007 half. Business lending volumes grew by 13.5% (£1.9 billion), while mortgage lending has experienced volume growth of 9.6% (£1 billion). Card and personal loan balances declined by 2.9%.

**Average retail deposit volumes** grew 7.3% (£1.2 billion). This was primarily driven by the continued momentum in the Financial Solutions Centres and a robust performance in the Retail network.

**Net interest income** increased 2.3% with the portfolio growth being offset by margin, mix and market turbulence impacts.

The **net interest margin** decreased 20 basis points from 2.84% to 2.64% reflecting changes in the product mix, the cost of wholesale funding relative to deposit funding, as well as the effects of adverse market conditions. The underlying margin contraction was circa 11 basis points.

**Other operating income** was 5.8% higher reflecting increased fair value and hedge ineffectiveness income, nabCapital fee income and Financial Services lending related fees, partially offset by the loss of income from the sale of the operating lease book.

**Operating expenses** were flat on the prior period.

The **cost to income** ratio at 54.6% has improved by 120 basis points as a result of the continued improvements in revenue and cost performance.

The **charge for doubtful debts** has increased by 9.4% (£5 million) over the September 2007 half driven by growing lending volumes. This effect was mitigated by the portfolio shift from unsecured personal lending, stable asset quality, improved arrears management and the tightening of personal lending criteria during 2006 and early 2007.

The effective **tax** charge at 29.3% benefits from retrospective credits for research and development spend and a lower corporation tax rate.

#### Other Items

##### Asset Quality

|  | As at  |        |        |
|--|--------|--------|--------|
|  | Mar 08 | Mar 07 | Sep 07 |
| Gross impaired assets (£m)                                   | 87     | 51     | 63     |
| Gross impaired assets to gross loans and acceptances (1)     | 0.27%  | 0.20%  | 0.22%  |
| 90+ days past due assets (£m)                                | 123    | 90     | 125    |
| 90+ days past due to gross loans and acceptances (1)         | 0.39%  | 0.34%  | 0.44%  |
| GIA and 90+ days past due to gross loans and acceptances (1) | 0.66%  | 0.54%  | 0.66%  |
| Total provision to gross loans and acceptances (1)(2)        | 0.98%  | 1.09%  | 1.02%  |

(1) Gross loans and acceptances: includes gross loans and advances to customers, loans designated at fair value through profit and loss and due to customers on acceptances.

(2) Total provision to gross loans and acceptances includes the credit risk adjustment on fair value loans.

**CLYDESDALE BANK PLC**  
**Business Review (continued)**

**Other Items (continued)**

*Asset Quality (continued)*

Asset quality remains strong with a portfolio that is well-secured and diversified both geographically and by lending type. Although the UK economy as a whole is slowing, the outlook is not uniform across all sectors. In property, for example, the greatest difficulties are in sectors and geographies where the UK business has little exposure and, in the mortgage market, the retail banking operation does not include any direct low doc (self certified) lending.

The March 2008 gross impaired asset balances have increased over the September 2007 balances. This increase is off a low base and there are no signs of any particular industry or geographic concentrations. The increase is in line with management expectations.

The ratio of 90+ days past due to gross loans and acceptances has decreased from 0.44% to 0.39% as a result of the 90+ days past due balances remaining in line with September 2007. This reflects the increased management of balances in this category including an increased contact programme with mortgage customers.

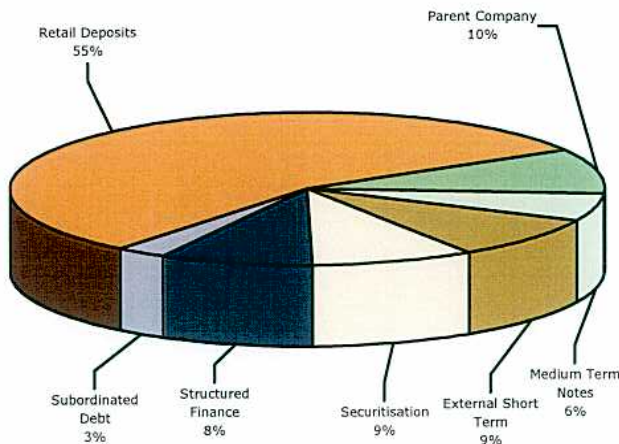
Taking gross impaired assets and 90+ days past due balances together the ratio has remained broadly flat on September 2007.

The coverage ratio of total provision to gross loans and acceptances has reduced from 1.02% in September 2007 to 0.98% in March 2008. The main areas where reductions are occurring are personal loans and credit cards where, as signalled previously, improved asset quality in these portfolios is having a positive impact. The growth in mortgage lending with low provision requirements has also had a dilutive effect on the overall coverage ratio.

**Funding**

Clydesdale Bank's position as a member of a stable and geographically diversified group proved an asset in these turbulent times. The long term credit ratings of Clydesdale Bank, which were maintained through the period (AA- by Standard & Poors, Aa3 by Moodys and AA- by Fitch), proved to be valuable in the attraction and retention of funds.

**Diversity of Funding (1)**



(1) As at 31 March 2008

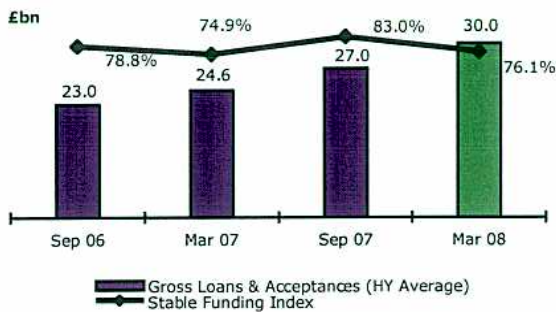
As at 31st March Clydesdale Bank held a portfolio of liquid assets totalling £4.5 billion, substantially higher than that held prior to the recent market turbulence. The portfolio included balances in the Bank of England Reserve Account, and a range of marketable securities.

Despite volatile market conditions, Clydesdale Bank's strong liquidity position was maintained due in part to a diverse funding base which includes a mix of short, medium, and long-term wholesale funding, parent company funding, and securitisation.

The Stable Funding Index (SFI) remained within the historical trend moving from 74.9% in March 2007 to 76.1% in March 2008. The SFI is an internal measure used by the Group to gauge the strength of its balance sheet funding. It comprises a Term Funding Index (TFI) plus Customer Funding Index (CFI). TFI is defined as Term Wholesale Funding with a remaining maturity greater than 12 months divided by Core Assets (net loans and advances to customers and banks booked at amortised cost, but excluding all loans booked at fair value or held for trading). CFI is a measure of customer deposits divided by Core Assets. The securitisation of balance sheet assets impacts these funding indices by reducing Core Assets. The relative stability of the index reflects the continuing contribution of customer deposits to the overall funding requirement.

**CLYDESDALE BANK PLC**  
**Business Review (continued)**

**Stable Funding Index**



**Capital ratios**

Capital ratios as at 31 March 2008 were as follows:

|                           | As at  |        |        |
|---------------------------|--------|--------|--------|
|                           | Mar 08 | Mar 07 | Sep 07 |
| Tier I                    | 7.5%   | 8.1%   | 7.8%   |
| Total ratio               | 11.4%  | 13.4%  | 12.6%  |
| Risk weighted assets (£m) | 26,882 | 21,998 | 22,944 |

Note: March 2008 risk weighted assets are calculated on a Basel II basis, whereas the March and September 2007 risk weighted assets are calculated on a Basel I basis.

Tier I capital comprises core capital only, with no hybrid instruments. The reduction in Tier I and Total ratios compared to March 2007 and September 2007 is primarily due to the increase in risk weighted assets and the inclusion of operational risk under the Basel II regime in March 2008. Clydesdale Bank operates a traditional banking business and has achieved strong balance sheet growth in deposits and high quality lending whilst maintaining one of the strongest capital ratios in UK banking.

**Investment Spend**

Investment continued on systems and processes and was directed into 3 broad categories; efficiency and sustainable revenue, infrastructure and compliance.

October 2007 saw another significant milestone in the ongoing re-engineering of the business with the Teller programme completing its deployment into Clydesdale Bank. This concludes the Teller project that commenced in 2005 as part of the Strategic Agenda Programme.

Investment in the front office continued, with projects such as the pilot launch of the new Business Internet Banking Channel.

Development of the second new Data Centre is ahead of schedule. The new data centre building was handed over in March 2008 and the migration of over 1000 pieces of equipment from our existing second Data Centre is on target for the end of June. The Faster Payments project progressed to an advanced stage of build and testing in the period and was subsequently developed to meet the industry go live date of May 2008.

**Distribution**

The network of Financial Solutions Centres (FSCs) and retail branches has remained stable over the six months to March 2008, with 74 principal FSCs and 343 branches.

iFS has added 2 satellite sites during the first half of this year and has continued to demonstrate strong levels of underlying growth in its core business. In conjunction with Specialist & Acquisition Finance, there have been a number of successes in attracting full trading business relationships from our competitors.

Within Retail, the branch refurbishment programme continues with around a quarter of branches now benefiting from the programme. An extensive training programme has been delivered to the branch manager population with the focus on raising individual performance through providing them with the tools and skills required to run their branch as though it were their own business.

A new look website for Clydesdale Bank (cbonline.co.uk) was launched during the period, with Yorkshire Bank (ybonline.co.uk) following shortly.

**CLYDESDALE BANK PLC**  
**Business Review (continued)**

**Comparison of Clydesdale Bank PLC Consolidated result with NAB Group UK Region segmental result**

The NAB Group publishes segmental financial results of which the UK Region forms one segment. The 2008 half year results were published by NAB on 9 May 2008. The segmentation is based on geographical lines, the exception being the nabCapital business which is treated as a global business segment in its own right. As shown in Note 3 of these interim statements, certain of the nabCapital business is written on the CB PLC balance sheet and therefore this business is not included in the UK Region result. The UK wealth management business, which operates through separate legal entities, is also included in the UK Region results but is not part of CB PLC. The other main difference between the CB PLC and UK Region results is the inclusion of fair value and hedge ineffectiveness income which is excluded from the NAB regional cash earnings results. The table below sets out the reconciliation of the income statements of the two views:

**6 months ended 31 March 2008**

|   | <b>CB PLC<br/>£m</b> | <b>Add: Wealth<br/>Management<br/>£m</b> | <b>Less:<br/>nabCapital<br/>£m</b> | <b>Fair value and<br/>hedge<br/>ineffectiveness<br/>£m</b> | <b>Other<br/>£m</b> | <b>NAB<br/>UK<br/>Region<br/>£m</b> |
|---|----------------------|--|------------------------------------|--|---------------------|-------------------------------------|
| Profit on ordinary activities before tax/Cash earnings before tax | 232                  | 27                                       | (31)                               | (25)   | (9)                 | 194                                 |
| Profit attributable to shareholders/Cash earnings after tax       | 164                  | 21                                       | (22)                               | (17)   | (7)                 | 139                                 |
| Total assets  | 38,537               |  |                                    |  |                     | 38,188                              |

**Sir Malcolm Williamson**  
 Chairman  
 26 June 2008

**Statement of Directors' Responsibilities**

The Directors confirm that this interim financial report has been prepared in accordance with IAS 34 as adopted by the European Union. The interim report includes a fair review of the important events that have occurred in the first 6 months of the financial year and their impact on the financial statements, with a description of the principal risks and uncertainties for the remaining 6 months.

**Michael Webber**  
 Secretary  
 26 June 2008

**CLYDESDALE BANK PLC****Independent Review Report to the members of Clydesdale Bank Plc****Introduction**

We have reviewed the accompanying Consolidated Balance Sheet of Clydesdale Bank Plc as of March 31, 2008 and the related Consolidated Income Statement, Consolidated Cash Flow Statement, Consolidated Statement of Recognised Income and Expense and a summary of significant accounting policies and other explanatory notes.

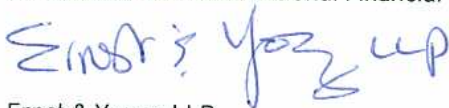
Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Group as at March 31, 2008, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.



Ernst &amp; Young LLP

Registered Auditor

London

3 July 2008

**CLYDESDALE BANK PLC**  
**Interim Consolidated Financial Statements**

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**CLYDESDALE BANK PLC**  
**Consolidated Income Statement**  
**for the 6 months ended 31 March 2008**

|   | Note | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 2007<br>£m |
|---|------|--------------------------------|--------------------------------|------------------------------------|
| Interest receivable and similar income                            |      | 1,154                          | 887                            | 1,927                              |
| Interest expense and similar charges                              |      | (705)                          | (464)                          | (1,065)                            |
| <b>Net interest income</b>  |      | <b>449</b>                     | <b>423</b>                     | <b>862</b>                         |
| Gains less losses on financial instruments at fair value          |      | 34                             | 31                             | 60                                 |
| Other operating income  |      | 147                            | 145                            | 287                                |
| <b>Non interest income</b>  | 4    | <b>181</b>                     | <b>176</b>                     | <b>347</b>                         |
| <b>Total operating income</b>                                     |      | <b>630</b>                     | <b>599</b>                     | <b>1,209</b>                       |
| Personnel expenses  |      | (105)                          | (109)                          | (211)                              |
| Depreciation expense  |      | (14)                           | (21)                           | (42)                               |
| Other operating expenses  |      | (227)                          | (215)                          | (437)                              |
| <b>Total operating expenses</b>                                   | 5    | <b>(346)</b>                   | <b>(345)</b>                   | <b>(690)</b>                       |
| <b>Operating profit before impairment losses</b>                  |      | <b>284</b>                     | <b>254</b>                     | <b>519</b>                         |
| Impairment losses on credit exposures                             | 11   | (58)                           | (64)                           | (117)                              |
| <b>Group operating profit</b>                                     |      | <b>226</b>                     | <b>190</b>                     | <b>402</b>                         |
| Profit on sale of land and buildings                              |      | 6                              | -                              | 13                                 |
| Refund of current account fees<br>& associated costs              | 14   | -                              | -                              | (11)                               |
| <b>Profit on ordinary activities before tax</b>                   |      | <b>232</b>                     | <b>190</b>                     | <b>404</b>                         |
| Tax expense   | 6    | (68)                           | (60)                           | (127)                              |
| <b>Profit for the period<br/>attributable to the shareholders</b> | 17   | <b>164</b>                     | <b>130</b>                     | <b>277</b>                         |

All material items dealt with in arriving at the profit on ordinary activities before tax for the above periods relate to continuing activities.

**CLYDESDALE BANK PLC**

**Consolidated Statement of Recognised Income and Expense  
for the 6 months ended 31 March 2008**

|   | Note | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 07<br>£m |
|---|------|--------------------------------|--------------------------------|----------------------------------|
| <b>Income and expense recognised directly in equity</b>     |      |                                |                                |                                  |
| Revaluation of land and buildings                           | 17   | -                              | -                              | (1)                              |
| Net change in available for sale investments reserve        | 17   | 3                              | -                              | (3)                              |
| Net change in cash flow hedge reserve                       | 17   | 4                              | (16)                           | (10)                             |
| Actuarial gains on defined benefit pension plans            | 17   | 68                             | 101                            | 222                              |
| <b>Total changes in items recognised directly in equity</b> |      | <b>75</b>                      | <b>85</b>                      | <b>208</b>                       |
| Tax on items recognised directly in equity                  | 6    | (24)                           | (24)                           | (64)                             |
| <b>Net change in items recognised directly in equity</b>    |      | <b>51</b>                      | <b>61</b>                      | <b>144</b>                       |
| <b>Profit for the period</b>                                |      | <b>164</b>                     | <b>130</b>                     | <b>277</b>                       |
| <b>Total recognised income and expense for the period</b>   |      | <b>215</b>                     | <b>191</b>                     | <b>421</b>                       |
| Attributable to:  |      |                                |                                |                                  |
| Ordinary shareholders                                       |      | <b>215</b>                     | <b>191</b>                     | <b>421</b>                       |



**CLYDESDALE BANK PLC**  
**Consolidated Balance Sheet**  
**at 31 March 2008**

|   | Note | 31 Mar 08<br>£m | 31 Mar 07<br>£m | 30 Sept 07<br>£m |
|---|------|-----------------|-----------------|------------------|
| <b>Assets</b>   |      |                 |                 |                  |
| Cash and balances with central banks                        | 8    | 3,190           | 2,402           | 2,093            |
| Loans and advances to other banks                           |      | 553             | 530             | 685              |
| Derivative financial assets                                 |      | 454             | 50              | 126              |
| Financial assets at fair value through profit and loss      | 9    | 3,891           | 2,627           | 3,053            |
| Financial investments                                       |      | 441             | 579             | 1,714            |
| Loans and advances to customers                             | 10   | 27,371          | 23,134          | 25,055           |
| Due from customers on acceptances                           |      | 5               | 5               | 3                |
| Investments in controlled entities and associates           |      | 2               | 2               | 2                |
| Property, plant and equipment                               |      | 185             | 251             | 255              |
| Deferred tax assets   |      | 8               | 104             | 45               |
| Defined benefit pension assets                              |      | 248             | 23              | 159              |
| Due from related entities                                   | 22   | 353             | 611             | 1,329            |
| Other assets  |      | 1,836           | 712             | 1,042            |
| <b>Total assets</b>   |      | <b>38,537</b>   | <b>31,030</b>   | <b>35,561</b>    |
| <b>Liabilities</b>  |      |                 |                 |                  |
| Due to other banks  |      | 3,049           | 2,537           | 2,289            |
| Derivative financial liabilities                            |      | 38              | 55              | 22               |
| Financial liabilities at fair value through profit and loss | 9    | 465             | 266             | 442              |
| Due to customers  | 13   | 20,704          | 18,520          | 19,319           |
| Liabilities on acceptances                                  |      | 5               | 5               | 3                |
| Current taxes   |      | 50              | 56              | 57               |
| Deferred tax liabilities                                    |      | 18              | 16              | 18               |
| Provisions  | 14   | 10              | 23              | 13               |
| Defined benefit pension liabilities                         |      | -               | 15              | -                |
| Bonds and notes   | 15   | 5,332           | 1,846           | 5,471            |
| Due to related entities                                     | 22   | 4,132           | 4,212           | 3,915            |
| Other liabilities   |      | 2,621           | 1,550           | 1,890            |
|   |      | <b>36,424</b>   | <b>29,101</b>   | <b>33,439</b>    |
| <b>Shareholders' equity</b>                                 |      |                 |                 |                  |
| Share capital   | 16   | 232             | 232             | 232              |
| Share premium account                                       | 17   | 243             | 243             | 243              |
| Share option reserve  | 17   | 19              | 9               | 12               |
| Asset revaluation reserve                                   | 17   | 13              | 17              | 13               |
| Available for sale investments reserve                      | 17   | -               | -               | (3)              |
| Merger reserve  | 17   | 338             | 338             | 338              |
| Cash flow hedge reserve                                     | 17   | (6)             | (13)            | (9)              |
| Retained earnings   | 17   | 1,274           | 967             | 1,160            |
| <b>Total parent shareholders' equity</b>                    |      | <b>2,113</b>    | <b>1,793</b>    | <b>1,986</b>     |
| Minority interests  | 17   | -               | 136             | 136              |
| <b>Total liabilities and shareholders' equity</b>           |      | <b>38,537</b>   | <b>31,030</b>   | <b>35,561</b>    |

These financial statements were approved by the Board of Directors on 26 June 2008 and were signed on its behalf by:

Sir Malcolm Williamson  
Chairman

Gavin Slater  
Director

**CLYDESDALE BANK PLC**  
**Consolidated Cash Flow Statement**  
**for the 6 months ended 31 March 2008**

|   | 6 months to<br>31 Mar 08 | 6 months to<br>31 Mar 07 | 12 months to<br>30 Sept 07 |
|---|--------------------------|--------------------------|----------------------------|
| Note  | £m                       | £m                       | £m                         |
| Profit on ordinary activities before tax                    | 232                      | 190                      | 404                        |
| <i>Adjustments for:</i>                                     |                          |                          |                            |
| Non cash items included in profit before tax                | (308)                    | (231)                    | (484)                      |
| Changes in operating assets                                 | (2,750)                  | (2,048)                  | (6,206)                    |
| Changes in operating liabilities                            | 2,689                    | 2,214                    | 3,093                      |
| Interest received   | 1,036                    | 855                      | 1,571                      |
| Interest paid   | (338)                    | (267)                    | (480)                      |
| Tax paid  | (63)                     | (20)                     | (66)                       |
| <b>Net cash provided by/(used in) operating activities</b>  | <b>498</b>               | <b>693</b>               | <b>(2,168)</b>             |
| <b>Cash flows from investing activities</b>                 |                          |                          |                            |
| Interest received   | 33                       | 10                       | 39                         |
| Purchase of property, plant and equipment                   | (7)                      | (9)                      | (56)                       |
| Proceeds from sale of<br>property, plant and equipment      | 69                       | 18                       | 52                         |
| <b>Net cash provided by investing activities</b>            | <b>95</b>                | <b>19</b>                | <b>35</b>                  |
| <b>Cash flows from financing activities</b>                 |                          |                          |                            |
| Interest received   | 32                       | 20                       | 44                         |
| Interest paid   | (284)                    | (153)                    | (369)                      |
| (Redemption)/issue of bonds and notes                       | (139)                    | 194                      | 3,819                      |
| Share options settled                                       | -                        | (20)                     | (20)                       |
| Net decrease/(increase) in amount due from related entities | 976                      | 618                      | (100)                      |
| Net increase/(decrease) in amount due to related entities   | 79                       | (750)                    | (1,038)                    |
| Dividends paid  | (95)                     | -                        | (40)                       |
| <b>Net cash provided by/(used in) financing activities</b>  | <b>569</b>               | <b>(91)</b>              | <b>2,296</b>               |
| <b>Net increase in cash and cash equivalents</b>            | <b>1,162</b>             | <b>621</b>               | <b>163</b>                 |
| Cash and cash equivalents at beginning of the period        | 2,137                    | 1,974                    | 1,974                      |
| <b>Cash and cash equivalents<br/>at end of the period</b>   | <b>3,299</b>             | <b>2,595</b>             | <b>2,137</b>               |
| 21  |                          |                          |                            |

# **CLYDESDALE BANK PLC**

## **Notes to the Interim Financial Statements**

### **1. Basis of preparation**

Clydesdale Bank PLC is incorporated in the UK and registered in Scotland.

The ultimate parent undertaking, and ultimate controlling party is National Australia Bank Limited ("NAB"), a company incorporated in the State of Victoria, Australia. This company also heads the largest group in which the results of the Group are consolidated. The smallest group in which the results of the Group are consolidated is that headed by National Australia Group Europe Limited ("NAGE") which is incorporated and registered in England and Wales. National Europe Holdings (GB) Limited, a company incorporated and registered in England and Wales, is the immediate holding company for the Bank.

The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The information in these interim financial statements does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 ("the Act"). Statutory accounts for the year ended 30 September 2007, which contained an unqualified audit report under Section 235 of the Act and which did not contain any statements under Section 237 of the Act, have been delivered to the Registrar of Companies in accordance with Section 242 of the Act.

### **2. Accounting policies**

The information in the interim financial statements does not include all of the disclosures required by International Financial Reporting Standards (IFRS) in full annual financial statements, and should be read in conjunction with the Group's Consolidated Financial Statements for the year ended 30 September 2007.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each balance sheet date are based on best estimates at that date. Although the Group has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. It is not anticipated that such differences would be material. There have been no significant changes to the bases upon which estimates have been determined, compared to those applied at 30 September 2007.

The interim financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements.

The accounting policies adopted are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended 30 September 2007.

IFRS 7 "Financial Instruments: Disclosures" and an amendment to IAS 1 "Presentation of Financial Statements" on capital disclosures were issued by the International Accounting Standards Board for application in accounting periods beginning on or after 1 January 2007 and have been adopted by the European Union. The new or revised disclosures will be included in the financial statements for the year ended 30 September 2008.

### **3. Nature of business and segmental reporting**

For the purposes of this note a business segment is a distinguishable component of the entity that is engaged in providing groups of related products and services and that is subject to risks and returns that are different from those of other business segments. Separate financial information for each segment is reported to the UK Executive Committee for the purposes of evaluating performance.

The Group's business is organised into two main operating segments: Financial Services UK and nabCapital. Financial Services UK is the retailing arm of the Group, providing a full range of traditional banking products and services to business and retail customers through the Clydesdale Bank and Yorkshire Bank brands. nabCapital is responsible for the Group's relationships with large corporations and institutions.

Revenue and expenses directly associated with each business segment are included in determining their result. Segment revenue represents revenue directly attributable to a segment and a portion of the Group's revenue that can be allocated to a segment on a reasonable basis. Segment result represents segment revenue less segment expenses and impairment losses on credit exposures and after income taxes. The Group reallocates all of its assets and liabilities to business segments.

**CLYDESDALE BANK PLC****Notes to the Interim Financial Statements (continued)****3. Nature of business and segmental reporting (continued)**

|                                  | Financial<br>Services UK<br>£m | nabCapital<br>£m | Total<br>£m   |
|----------------------------------|--------------------------------|------------------|---------------|
| <b>6 months to 31 March 2008</b> |                                |                  |               |
| Net interest income              | 437                            | 12               | 449           |
| Non interest income              | 161                            | 20               | 181           |
| Net significant revenue          | 6                              | -                | 6             |
| <b>Segment revenue</b>           | <u>604</u>                     | <u>32</u>        | <u>636</u>    |
| <b>Segment result</b>            | <u>201</u>                     | <u>31</u>        | 232           |
| Tax expense                      |                                |                  | <u>(68)</u>   |
| <b>Profit for the period</b>     |                                |                  | <u>164</u>    |
| <b>Total assets</b>              | <u>33,178</u>                  | <u>5,359</u>     | <u>38,537</u> |
| <b>Total liabilities</b>         | <u>31,260</u>                  | <u>5,164</u>     | <u>36,424</u> |

With effect from October 2007, £965m of mid market corporate businesses previously serviced by nabCapital were transferred to Financial Services UK in order to use the iFS network to leverage these relationships.

**6 months to 31 March 2007**

|                              |               |              |               |
|------------------------------|---------------|--------------|---------------|
| Net interest income          | 409           | 14           | 423           |
| Non interest income          | 160           | 16           | 176           |
| <b>Segment revenue</b>       | <u>569</u>    | <u>30</u>    | <u>599</u>    |
| <b>Segment result</b>        | <u>164</u>    | <u>26</u>    | 190           |
| Tax expense                  |               |              | <u>(60)</u>   |
| <b>Profit for the period</b> |               |              | <u>130</u>    |
| <b>Total assets</b>          | <u>23,964</u> | <u>7,066</u> | <u>31,030</u> |
| <b>Total liabilities</b>     | <u>22,773</u> | <u>6,328</u> | <u>29,101</u> |

## CLYDESDALE BANK PLC

### Notes to the Interim Financial Statements (continued)

#### 3. Nature of business and segmental reporting (continued)

|                                       | Financial<br>Services UK<br>£m | nabCapital<br>£m | Total<br>£m   |
|---------------------------------------|--------------------------------|------------------|---------------|
| <b>12 months to 30 September 2007</b> |                                |                  |               |
| Net interest income                   | 832                            | 30               | 862           |
| Non interest income                   | 314                            | 33               | 347           |
| Net significant revenue               | 2                              | -                | 2             |
| <b>Segment revenue</b>                | <u>1,148</u>                   | <u>63</u>        | <u>1,211</u>  |
| <b>Segment result</b>                 | <u>343</u>                     | <u>61</u>        | 404           |
| Tax expense                           |                                |                  | <u>(127)</u>  |
| <b>Profit for the financial year</b>  |                                |                  | <u>277</u>    |
| <b>Total assets</b>                   | <u>29,761</u>                  | <u>5,800</u>     | <u>35,561</u> |
| <b>Total liabilities</b>              | <u>28,132</u>                  | <u>5,307</u>     | <u>33,439</u> |

#### Geographical segments

The Group has no material segments outwith the UK and thus no secondary geographical segment information is presented.

# CLYDESDALE BANK PLC

## Notes to the Interim Financial Statements (continued)

### 4. Non interest income

|   | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 07<br>£m |
|---|--------------------------------|--------------------------------|----------------------------------|
| <i>Gains less losses on financial instruments at fair value</i> |                                |                                |                                  |
| Foreign exchange derivatives                                    | 9                              | 8                              | 16                               |
| Interest rate derivatives                                       | (68)                           | 16                             | 31                               |
| Movement in fair value of assets (see note (a) below)           | 90                             | -                              | -                                |
| Ineffectiveness arising from hedging relationships              | 3                              | 1                              | 4                                |
| Other derivatives   | -                              | 6                              | 9                                |
|   | <u>34</u>                      | <u>31</u>                      | <u>60</u>                        |
| <i>Other operating income</i>                                   |                                |                                |                                  |
| Fee and commission income                                       | 139                            | 127                            | 232                              |
| Operating lease income  | 4                              | 13                             | 25                               |
| Other income  | 4                              | 5                              | 30                               |
|   | <u>147</u>                     | <u>145</u>                     | <u>287</u>                       |
| <b>Total non interest income</b>                                | <u><u>181</u></u>              | <u><u>176</u></u>              | <u><u>347</u></u>                |

(a) Certain financial assets are designated at inception as fair value through profit and loss (FVTPL). These assets are predominantly fixed interest rate loans which are individually hedged. These will derive a positive mark to market ("MTM") value on the income including margin when interest rates are falling and negative MTM when interest rates are rising. Corresponding opposite movements in the underlying derivatives are shown in the interest rate derivatives line. The positive MTM in the 6 months to 31 March 2008 reflects the fall in the yield curve in the period. In the 6 months to March 2007 there was a rise in the yield curve.

### 5. Operating expenses

|   | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 07<br>£m |
|---|--------------------------------|--------------------------------|----------------------------------|
| <i>Personnel expenses</i>                   |                                |                                |                                  |
| Salaries, wages and non cash benefits       | 90                             | 89                             | 183                              |
| Related personnel expenses                  | 8                              | 9                              | 18                               |
| Defined contribution pension expense        | 3                              | 1                              | 5                                |
| Defined benefit pension expense             | (8)                            | (2)                            | (17)                             |
| Employee share compensation                 | 7                              | 6                              | 11                               |
| Other personnel expenses                    | 5                              | 6                              | 11                               |
|   | <u>105</u>                     | <u>109</u>                     | <u>211</u>                       |
| <i>Depreciation expense</i>                 |                                |                                |                                  |
| Depreciation of property, plant & equipment | 14                             | 21                             | 42                               |
| <i>Other operating expenses</i>             |                                |                                |                                  |
| Operating lease rental                      | 16                             | 15                             | 31                               |
| Other occupancy expenses                    | 17                             | 16                             | 34                               |
| Related entity recharges                    | 149                            | 141                            | 286                              |
| Other operating expenses                    | 45                             | 43                             | 86                               |
|   | <u>227</u>                     | <u>215</u>                     | <u>437</u>                       |
| <b>Total operating expenses</b>             | <u><u>346</u></u>              | <u><u>345</u></u>              | <u><u>690</u></u>                |

## CLYDESDALE BANK PLC

### Notes to the Interim Financial Statements (continued)

#### 6. Tax expense

##### a) Analysis of charge in the period

##### Tax charged in the income statement

|  | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 07<br>£m |
|--|--------------------------------|--------------------------------|----------------------------------|
| The charge for taxation comprises:                     |                                |                                |                                  |
| <i>Current tax</i>                                     |                                |                                |                                  |
| United Kingdom corporation tax at 29% (2007: 30%)      |                                |                                |                                  |
| - current year   | 49                             | 45                             | 81                               |
| - prior year   | -                              | -                              | (6)                              |
|  | <u>49</u>                      | <u>45</u>                      | <u>75</u>                        |
| Other overseas taxation                                | 9                              | -                              | 20                               |
| Total current tax                                      | <u>58</u>                      | <u>45</u>                      | <u>95</u>                        |
| <i>Deferred tax</i>                                    |                                |                                |                                  |
| Origination and reversal of temporary differences      |                                |                                |                                  |
| - current year   | 10                             | 15                             | 27                               |
| - prior year   | -                              | -                              | 5                                |
| Total deferred income tax                              | <u>10</u>                      | <u>15</u>                      | <u>32</u>                        |
| <i>Income tax expense reported in income statement</i> | <u>68</u>                      | <u>60</u>                      | <u>127</u>                       |

##### Tax relating to items charged or credited to equity

|   | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 07<br>£m |
|---|--------------------------------|--------------------------------|----------------------------------|
| <i>Current tax</i>  |                                |                                |                                  |
| Available for sale investments                                      | -                              | -                              | (1)                              |
| Release of transitional deferred tax                                | (3)                            | (4)                            | (7)                              |
| <i>Deferred tax asset</i>   |                                |                                |                                  |
| Actuarial gains and losses on pension schemes                       | 19                             | 34                             | 69                               |
| Employee share compensation   | -                              | (1)                            | (1)                              |
| Release of transitional deferred tax                                | 7                              | -                              | 7                                |
| <i>Deferred tax liability</i>                                       |                                |                                |                                  |
| Net gain/(loss) on revaluation of cash flow hedges                  | 1                              | (5)                            | (3)                              |
| <i>Tax charge in the statement of recognised income and expense</i> | <u>24</u>                      | <u>24</u>                      | <u>64</u>                        |

**CLYDESDALE BANK PLC**  
**Notes to the Interim Financial Statements (continued)**

**6. Tax expense (continued)**

**b) Factors affecting tax charge for the period**

The tax assessed for the period reflects the standard rate of corporation tax in the UK (29%). The factors are explained below:

|   | <b>6 months to<br/>31 Mar 08<br/>£m</b> | <b>6 months to<br/>31 Mar 07<br/>£m</b> | <b>12 months to<br/>30 Sept 07<br/>£m</b> |
|---|---|---|---|
| Profit on ordinary activities before tax  | <u>232</u>                              | <u>190</u>                              | <u>404</u>                                |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 29% (2007: 30%) | <u>68</u>                               | <u>57</u>                               | <u>121</u>                                |
| Effects of:   |   |   |   |
| Expenses not deductible for tax purposes  | 1                                       | 3                                       | 8   |
| Restatement of deferred tax balances to 28%   | -                                       | -                                       | (1)                                       |
| Adjustments to tax charge in respect of previous periods  | <u>(1)</u>                              | <u>-</u>                                | <u>(1)</u>                                |
| <b>Total income tax charge for period</b>   | <u><u>68</u></u>                        | <u><u>60</u></u>                        | <u><u>127</u></u>                         |

**7. Dividends paid**

|   | <b>6 months to<br/>31 Mar 08<br/>£m</b> | <b>6 months to<br/>31 Mar 07<br/>£m</b> | <b>12 months to<br/>30 Sept 07<br/>£m</b> |
|---|---|---|---|
| 2007 interim ordinary dividends paid - 17.24p per share | -                                       | -                                       | 40  |
| 2007 final ordinary dividends paid - 40.95p per share   | <u>95</u>                               | <u>-</u>                                | <u>-</u>                                  |
|   | <u><u>95</u></u>                        | <u><u>-</u></u>                         | <u><u>40</u></u>                          |

**8. Cash and balances with central banks**

|                                       | <b>6 months to<br/>31 Mar 08<br/>£m</b> | <b>6 months to<br/>31 Mar 07<br/>£m</b> | <b>12 months to<br/>30 Sept 07<br/>£m</b> |
|---------------------------------------|---|---|---|
| Cash assets                           | 3,155                                   | 2,371                                   | 2,059                                     |
| Mandatory deposits with central banks | <u>35</u>                               | <u>31</u>                               | <u>34</u>                                 |
|                                       | <u><u>3,190</u></u>                     | <u><u>2,402</u></u>                     | <u><u>2,093</u></u>                       |



## CLYDESDALE BANK PLC

### Notes to the Interim Financial Statements (continued)

#### 9. Financial assets and liabilities at fair value through profit and loss

|   | 31 Mar 08<br>£m | 31 Mar 07<br>£m | 30 Sept 07<br>£m |
|---|-----------------|-----------------|------------------|
| <i>Financial assets at fair value</i>   |                 |                 |                  |
| Loans designated at fair value through profit and loss                                  | 3,668           | 2,461           | 2,774            |
| Other derivative financial assets designated at fair value through profit and loss      | 105             | 33              | 103              |
| Derivative financial assets at fair value - related entities                            | 118             | 133             | 176              |
|   | <u>3,891</u>    | <u>2,627</u>    | <u>3,053</u>     |
| <i>Financial liabilities at fair value</i>  |                 |                 |                  |
| Deposits at fair value through profit and loss  | 160             | 112             | 153              |
| Other derivative financial liabilities designated at fair value through profit and loss | 111             | 45              | 166              |
| Derivative financial liabilities at fair value - related entities                       | 194             | 109             | 123              |
|   | <u>465</u>      | <u>266</u>      | <u>442</u>       |

#### 10. Loans and advances to customers

|   | 31 Mar 08<br>£m | 31 Mar 07<br>£m | 30 Sept 07<br>£m |
|---|-----------------|-----------------|------------------|
| Overdrafts                                      | 4,466           | 3,487           | 3,690            |
| Credit cards                                    | 542             | 579             | 565              |
| Lease finance                                   | 1,461           | 1,447           | 1,490            |
| Housing loans                                   | 11,591          | 10,191          | 10,963           |
| Other wholesale placements                      | -               | 234             | 256              |
| Other term lending                              | 9,934           | 7,748           | 8,698            |
| Other lending                                   | 2               | 1               | 5                |
| Gross loans and advances to customers           | <u>27,996</u>   | <u>23,687</u>   | <u>25,667</u>    |
| Unearned income                                 | (319)           | (249)           | (319)            |
| Deferred and unamortised fee income             | (54)            | (45)            | (53)             |
| Impairment losses on credit exposures (note 11) | (252)           | (259)           | (240)            |
|   | <u>27,371</u>   | <u>23,134</u>   | <u>25,055</u>    |

The Group has transferred £2,998m (30 Sept 2007: £3,296m) of loans and advances to Special Purpose Entities ("SPEs") through securitisation arrangements. The financial assets do not qualify for derecognition because the Group remains exposed to certain risks and rewards of ownership on an ongoing basis. The Group is also exposed to the residual rewards of the loans and advances as a result of its ability to benefit from the future performance of the loans and advances through the receipt of deferred consideration.

# CLYDESDALE BANK PLC

## Notes to the Interim Financial Statements (continued)

### 10. Loans and advances to customers (continued)

#### Concentration of exposure

|   | 31 Mar 08<br>£m | 31 Mar 07<br>£m | 30 Sept 07<br>£m |
|---|-----------------|-----------------|------------------|
| Commercial and industrial                 | 3,486           | 2,821           | 3,777            |
| Agriculture, forestry, fishing and mining | 922             | 713             | 880              |
| Manufacturing                             | 584             | 386             | 467              |
| Construction                              | 834             | 1,252           | 738              |
| Financial, investment and insurance       | 361             | 769             | 426              |
| Property                                  | 5,919           | 4,067           | 4,758            |
| Other lease finance                       | 1,461           | 1,447           | 1,490            |
| Personal - mortgages                      | 11,591          | 10,191          | 10,963           |
| Personal - other                          | 2,800           | 2,029           | 2,136            |
| Other                                     | 38              | 12              | 32               |
|   | <u>27,996</u>   | <u>23,687</u>   | <u>25,667</u>    |

### 11. Impairment losses on credit exposures

|  | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 07<br>£m |
|--|--------------------------------|--------------------------------|----------------------------------|
| <i>Specific provisions</i>                             |                                |                                |                                  |
| Opening balance  | 18                             | 10                             | 10                               |
| Charge for the period/year                             | 49                             | 57                             | 115                              |
| Amounts written off                                    | (64)                           | (77)                           | (151)                            |
| Recoveries of amounts written<br>off in previous years | 18                             | 22                             | 44                               |
| <b>Closing balance</b>                                 | <u>21</u>                      | <u>12</u>                      | <u>18</u>                        |
| <i>Collective provisions</i>                           |                                |                                |                                  |
| Opening balance  | 222                            | 240                            | 240                              |
| Charge for the period/year                             | 9                              | 7                              | 2                                |
| Other  | -                              | -                              | (20)                             |
| <b>Closing balance</b>                                 | <u>231</u>                     | <u>247</u>                     | <u>222</u>                       |
| <b>Total provisions for impairment losses</b>          | <u>252</u>                     | <u>259</u>                     | <u>240</u>                       |
| <br>   |                                |                                |                                  |
|  | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 07<br>£m |
| <i>Amounts included in</i>                             |                                |                                |                                  |
| Loans and advances to customers (note 10)              | <u>252</u>                     | <u>259</u>                     | <u>240</u>                       |
| <br>   |                                |                                |                                  |
| <i>Non accrual loans</i>                               |                                |                                |                                  |
| Loans and advances to customers                        | 87                             | 86                             | 63                               |
| Provisions   | (21)                           | (12)                           | (19)                             |
| <b>Total</b>   | <u>66</u>                      | <u>74</u>                      | <u>44</u>                        |

## CLYDESDALE BANK PLC

### Notes to the Interim Financial Statements (continued)

#### 12. Securitisation

The Group's balance sheet includes the results, assets and liabilities of securitisation Special Purpose Entities ("SPEs") on a line by line basis. Securitised advances are subject to non-recourse finance arrangements. These loans have been purchased at principal value by the SPEs from Clydesdale Bank PLC, and have been funded through the issue of amortising mortgage backed securities to wholesale market investors.

The balance of assets and liabilities in relation to securitisation notes in issue at 31 March 2008 and 30 September 2007 within the Group's balance sheet are as follows:-

|   | 31 Mar 08<br>£m | 30 Sept 07<br>£m |
|---|-----------------|------------------|
| <i>Assets</i>                             |                 |                  |
| Derivative financial assets               | 180             | 64               |
| Loans & advances to customers (note 10)   | 2,998           | 3,296            |
| Accrued interest receivable               | 67              | 51               |
| Other assets                              | 314             | 218              |
|   | <u>3,559</u>    | <u>3,629</u>     |
| <i>Liabilities</i>                        |                 |                  |
| Bonds and notes (net of hedge adjustment) | 2,976           | 3,097            |
| Accrued interest payable                  | 42              | 53               |
| Other liabilities                         | 542             | -                |
|   | <u>3,560</u>    | <u>3,150</u>     |

At 31 March 2008 the SPEs had cash deposits with Clydesdale Bank PLC amounting to £335m (2007: £173m). This balance is restricted in use to the repayment of the debt securities issued by the SPEs and other legal obligations. There were no securitised assets and liabilities as at 31 March 2007.

#### 13. Due to customers

|                                      | 31 Mar 08<br>£m | 31 Mar 07<br>£m | 30 Sept 07<br>£m |
|--------------------------------------|-----------------|-----------------|------------------|
| Non interest bearing demand deposits | 547             | 1,318           | 597              |
| Interest bearing demand deposits     | 13,895          | 12,694          | 14,240           |
| Term deposits                        | 5,233           | 3,030           | 3,523            |
| Other wholesale deposits             | 1,029           | 1,478           | 959              |
|                                      | <u>20,704</u>   | <u>18,520</u>   | <u>19,319</u>    |

## CLYDESDALE BANK PLC

### Notes to the Interim Financial Statements (continued)

#### 14. Provisions

|  | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 07<br>£m |
|--|--------------------------------|--------------------------------|----------------------------------|
| <i>Refund of current account fees &amp; associated costs</i> |                                |                                |                                  |
| Opening balance  | 7                              | -                              | -                                |
| Charge to income statement                                   | -                              | -                              | 11                               |
| Provisions utilised  | (2)                            | -                              | (4)                              |
| Closing balance  | <u>5</u>                       | <u>-</u>                       | <u>7</u>                         |
| <i>Reorganisation</i>  |                                |                                |                                  |
| Opening balance  | -                              | 27                             | 27                               |
| Provisions utilised  | -                              | (10)                           | (27)                             |
| Closing balance  | <u>-</u>                       | <u>17</u>                      | <u>-</u>                         |
| <i>Other provisions</i>                                      |                                |                                |                                  |
| Opening balance  | 6                              | 8                              | 8                                |
| Charge to income statement                                   | -                              | 1                              | 3                                |
| Provisions utilised  | (1)                            | (3)                            | (3)                              |
| Other  | -                              | -                              | (2)                              |
| Closing balance  | <u>5</u>                       | <u>6</u>                       | <u>6</u>                         |
| <b>Total provisions</b>                                      | <u><b>10</b></u>               | <u><b>23</b></u>               | <u><b>13</b></u>                 |

#### **Refund of current account fees & associated costs**

Current account providers in the UK have experienced an increased level of complaints regarding current account charges levied. Customer awareness was raised following an announcement by the Office of Fair Trading (OFT) during April 2006 of a formal investigation into the fairness of charges arising on the late payment of credit card accounts having regard to the provisions of the Unfair Terms in Consumer Contracts Regulations 1999.

This generated industry wide requests from customers of UK banks and financial services organisations for refunds of current account charges. In the light of the growing number of claims and the legal uncertainty that exists the Bank (with seven other current account providers, together accounting for about 90 per cent of personal current accounts in the UK) decided to seek clarification through the Courts. The OFT agreed to this course and proceedings were issued on 27 July 2007 in the High Court in England and Wales. An initial judgement given on 24 April 2008 held that the terms in question did fall to be assessed for fairness under the Regulations and that none of the terms examined by the Court were capable of giving rise to an unenforceable penalty at common law. The Banks are appealing the decision in so far as it deals with whether the charges can be assessed for fairness but the OFT is not appealing the findings in relation to unenforceable penalties. It remains the case that the timing for the outcome of the legal proceedings is uncertain. However, the Bank considers its case to be strong and the charges both fair and legally enforceable. The Bank is, however, unable to predict with any accuracy the outcome of the legal action and is thus unable to reliably estimate any potential liability that may arise. No recognition has therefore been made, contingent or actual, within the financial statements for an adverse outcome to the legal action. During the 2007 financial year a provision was recognised for future costs and for refunds not covered by the case.

The Financial Services Authority (FSA) has granted a waiver from the time limit rules dealing with customer complaints relating to unauthorised overdraft charges and, accordingly, the Bank has suspended processing any further customer complaints which are within the scope of the waiver until clarity is achieved, although cases involving hardship will continue to be processed.

#### **Reorganisation**

Following a review of operations a reorganisation provision was recognised during the year ended 30 September 2005. The provision covered the costs associated with the streamlining of operations, reductions in staffing levels and the reconfiguration of distribution networks. The programme in relation to these activities has been completed and the provision was fully utilised by 30 September 2007.

**CLYDESDALE BANK PLC**  
**Notes to the Interim Financial Statements (continued)**

**14. Provisions (continued)**

**Other**

This category includes:

- Provision for post-retirement health care under a defined benefit scheme for pensioners and their dependent relatives. This is a closed scheme and the provision will be utilised over the life of the remaining scheme members.
- Provision for costs arising in respect of a number of legal actions and claims arising in the ordinary course of the Bank's business.

**15. Bonds and notes**

|  | <b>31 Mar 08</b> | 31 Mar 07 | 30 Sept 07 |
|--|------------------|-----------|------------|
|  | <b>£m</b>        | £m        | £m         |
| Medium term notes                        | 1,916            | 1,408     | 1,907      |
| Subordinated medium term notes           | 450              | 450       | 450        |
| Residential mortgage backed securities   | <b>2,980</b>     | -         | 3,039      |
| Total bonds, notes and subordinated debt | <b>5,346</b>     | 1,858     | 5,396      |
| Hedge adjustment                         | (13)             | (10)      | 76         |
| Net discounts                            | <b>(1)</b>       | (2)       | (1)        |
|  | <b>5,332</b>     | 1,846     | 5,471      |
| Total bonds and notes were recorded as:  |                  |           |            |
| At amortised cost                        | <b>840</b>       | 1,000     | 1,039      |
| Designated as fair value hedges          | <b>4,492</b>     | 846       | 4,432      |
|  | <b>5,332</b>     | 1,846     | 5,471      |

**16. Called up share capital**

|   | <b>Number</b>      |
|---|--------------------|
| <b>Authorised</b>                         |                    |
| Ordinary shares of £1 each - equity       | <b>254,785,000</b> |
|   | <b>£m</b>          |
| <b>Allotted, called up and fully paid</b> |                    |
| Ordinary shares of £1 each - equity       | <b>232</b>         |

**17. Reserves**

|  | <b>31 Mar 08</b> | 31 Mar 07 | 30 Sept 07 |
|--|------------------|-----------|------------|
|  | <b>£m</b>        | £m        | £m         |
| Share premium account                  | 243              | 243       | 243        |
| Share option reserve                   | 19               | 9         | 12         |
| Asset revaluation reserve              | 13               | 17        | 13         |
| Available for sale investments reserve | -                | -         | (3)        |
| Merger reserve                         | <b>338</b>       | 338       | 338        |
| Cash flow hedge reserve                | (6)              | (13)      | (9)        |
| Retained earnings                      | <b>1,274</b>     | 967       | 1,160      |
|  | <b>1,881</b>     | 1,561     | 1,754      |

## CLYDESDALE BANK PLC

### Notes to the Interim Financial Statements (continued)

#### 17. Reserves (continued)

Clydesdale Bank PLC is regulated by the Financial Services Authority. The availability of retained earnings for distribution and the redemption of share capital or certain subordinated debt are subject to maintaining the level of capital resources required by the regulator.

##### *Share option reserve*

The share option reserve records the value of equity benefits provided to employees and directors as part of their remuneration.

##### *Asset revaluation reserve*

The asset revaluation reserve includes the gross revaluation increments and decrements arising from the revaluation of land and buildings.

##### *Available for sale investments reserve*

The available for sale investments reserve records the gains and losses arising from changes in fair value of available for sale investments.

##### *Merger reserve*

The merger reserve arises as a result of the transfer of the entire business and undertakings of Yorkshire Bank PLC to Clydesdale Bank PLC on 1 December 2004. As no consideration was paid in relation to the transfer the only impact arising was the crystallisation of the Yorkshire Bank PLC Share Capital and Share Premium into a Merger Reserve in the combined entity.

##### *Cash flow hedge reserve*

The cash flow hedge reserve records fair value revaluations of derivatives designated as cash flow hedging instruments.

##### *Minority interests*

Minority interests represented the share of subsidiary equity controlled by parties outside of the Group. In March 2008 the underlying transactions were terminated and the minority interest repaid.

#### Movements in reserves

|   | Share<br>premium<br>account<br>£m | Share<br>option<br>reserve<br>£m | Asset<br>revaluation<br>reserve<br>£m | Available<br>for sale<br>investments<br>reserve<br>£m | Cash flow<br>hedge<br>reserve<br>£m | Retained<br>earnings<br>£m |
|---|-----------------------------------|----------------------------------|---------------------------------------|---|-------------------------------------|----------------------------|
| At 1 October 2006                                     | 243                               | 22                               | 17                                    | -   | (2)                                 | 766                        |
| Profit for the period<br>ended 31 March 2007          | -                                 | -                                | -                                     | -   | -                                   | 130                        |
| Actuarial gains on defined benefit<br>pension schemes | -                                 | -                                | -                                     | -   | -                                   | 101                        |
| Share options granted                                 | -                                 | 6                                | -                                     | -   | -                                   | -                          |
| Share options settled                                 | -                                 | (20)                             | -                                     | -   | -                                   | -                          |
| Net change in cash flow<br>hedge reserve              | -                                 | -                                | -                                     | -   | (16)                                | -                          |
| Tax on items recognised<br>directly in equity         | -                                 | 1                                | -                                     | -   | 5                                   | (30)                       |
| <b>At 31 March 2007</b>                               | <b>243</b>                        | <b>9</b>                         | <b>17</b>                             | <b>-</b>  | <b>(13)</b>                         | <b>967</b>                 |

## CLYDESDALE BANK PLC

### Notes to the Interim Financial Statements (continued)

#### 17. Reserves (continued)

##### Movements in reserves

|   | Share<br>premium<br>account<br>£m | Share<br>option<br>reserve<br>£m | Asset<br>revaluation<br>reserve<br>£m | Available<br>for sale<br>investments<br>reserve<br>£m | Cash flow<br>hedge<br>reserve<br>£m | Retained<br>earnings<br>£m |
|---|-----------------------------------|----------------------------------|---------------------------------------|---|-------------------------------------|----------------------------|
| At 1 October 2006                                       | 243                               | 22                               | 17                                    | -   | (2)                                 | 766                        |
| Profit for the year ended<br>30 September 2007          | -                                 | -                                | -                                     | -   | -                                   | 277                        |
| Actuarial gains on defined benefit<br>pension schemes   | -                                 | -                                | -                                     | -   | -                                   | 222                        |
| Share options granted                                   | -                                 | 9                                | -                                     | -   | -                                   | -                          |
| Share options settled                                   | -                                 | (20)                             | -                                     | -   | -                                   | -                          |
| Revaluation of land and<br>buildings                    | -                                 | -                                | (1)                                   | -   | -                                   | -                          |
| Net change in available for sale<br>investments reserve | -                                 | -                                | -                                     | (3)   | -                                   | -                          |
| Net change in cash flow<br>hedge reserve                | -                                 | -                                | -                                     | -   | (10)                                | -                          |
| Transfers from/to asset<br>revaluation reserve          | -                                 | -                                | (3)                                   | -   | -                                   | 3                          |
| Tax on items recognised<br>directly in equity           | -                                 | 1                                | -                                     | -   | 3                                   | (68)                       |
| Dividends paid  | -                                 | -                                | -                                     | -   | -                                   | (40)                       |
| <b>At 30 September 2007</b>                             | <b>243</b>                        | <b>12</b>                        | <b>13</b>                             | <b>(3)</b>  | <b>(9)</b>                          | <b>1,160</b>               |
| Profit for the period<br>ended 31 March 2008            | -                                 | -                                | -                                     | -   | -                                   | 164                        |
| Actuarial gains on defined benefit<br>pension schemes   | -                                 | -                                | -                                     | -   | -                                   | 68                         |
| Share options granted                                   | -                                 | 7                                | -                                     | -   | -                                   | -                          |
| Net change in available for sale<br>investments reserve | -                                 | -                                | -                                     | 3   | -                                   | -                          |
| Net change in cash flow<br>hedge reserve                | -                                 | -                                | -                                     | -   | 4                                   | -                          |
| Tax on items recognised<br>directly in equity           | -                                 | -                                | -                                     | -   | (1)                                 | (23)                       |
| Dividends paid  | -                                 | -                                | -                                     | -   | -                                   | (95)                       |
| <b>At 31 March 2008</b>                                 | <b>243</b>                        | <b>19</b>                        | <b>13</b>                             | <b>-</b>  | <b>(6)</b>                          | <b>1,274</b>               |

## CLYDESDALE BANK PLC

### Notes to the Interim Financial Statements (continued)

#### 18. Memorandum items

|   | Contract<br>amount<br>31 Mar 08<br>£m | Risk<br>weighted<br>amount<br>31 Mar 08<br>£m | Contract<br>amount<br>31 Mar 07<br>£m | Risk<br>weighted<br>amount<br>31 Mar 07<br>£m | Contract<br>amount<br>30 Sept 07<br>£m | Risk<br>weighted<br>amount<br>30 Sept 07<br>£m |
|---|---------------------------------------|---|---------------------------------------|---|--|--|
| <i>Contingent liabilities</i>   |                                       |   |                                       |   |  |  |
| <b>Group</b>  |                                       |   |                                       |   |  |  |
| Guarantees and assets pledged<br>as collateral security                               |                                       |   |                                       |   |  |  |
| - guarantees and irrevocable<br>letters of credit                                     | 811                                   | 176   | 788                                   | 138   | 779                                    | 146  |
| Other contingent liabilities  | -                                     | -   | 1                                     | 1   | 1                                      | 1  |
|   | <u>811</u>                            | <u>176</u>                                    | <u>789</u>                            | <u>139</u>                                    | <u>780</u>                             | <u>147</u>                                     |
| <i>Commitments</i>  |                                       |   |                                       |   |  |  |
| <b>Group</b>  |                                       |   |                                       |   |  |  |
| Sale and option to<br>resell transactions   | <u>2,000</u>                          | <u>-</u>                                      | <u>2,000</u>                          | <u>-</u>                                      | <u>2,000</u>                           | <u>-</u>                                       |
| Other commitments   |                                       |   |                                       |   |  |  |
| - undrawn formal standby facilities,<br>credit lines and other<br>commitments to lend |                                       |   |                                       |   |  |  |
| - 1 year or less  | 11,353                                | -   | 10,781                                | -   | 10,153                                 | -  |
| - over 1 year   | -                                     | -   | 1,104                                 | 309   | 1,159                                  | 328  |
|   | <u>11,353</u>                         | <u>-</u>                                      | <u>11,885</u>                         | <u>309</u>                                    | <u>11,312</u>                          | <u>328</u>                                     |

The tables above give the contract amounts and risk-weighted amounts of off balance sheet transactions for the Group. The contract amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the FSA guidelines.

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contract amounts is not representative of future liquidity requirements.

#### 19. Other contingent liabilities

Apart from the claims in relation to bank charges referred to in note 14 above, the Bank is named in and is defending a number of legal actions arising in the ordinary course of business. No material adverse impact on the financial position of the Group or the Bank is expected to arise from the ultimate resolution of these legal actions.



**CLYDESDALE BANK PLC**  
**Notes to the Interim Financial Statements (continued)**

**20. Employees**

The average number of full time equivalent employees of the Group during the year was made up as follows:

|  | <b>6 months to<br/>31 Mar 08<br/>Number</b> | 6 months to<br>31 Mar 07<br>Number | 12 months to<br>30 Sept 07<br>Number |
|--|---|------------------------------------|--------------------------------------|
| Average full time equivalent employees | <u>5,734</u>                                | <u>5,709</u>                       | <u>5,709</u>                         |

All staff are contracted employees of National Australia Group Europe Limited ("NAGE"). The numbers above disclose the staff remunerated directly by the Group but exclude employees working within other NAGE subsidiaries who provide support services to the Group. The number of staff employed in the UK Region at 31 March 2008 is 8,966.

**21. Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances with less than three months maturity from the date of acquisition.

|  | <b>31 Mar 08<br/>£m</b> | 31 Mar 07<br>£m | 30 Sept 07<br>£m |
|--|-------------------------|-----------------|------------------|
| Cash assets (excluding mandatory balances with central banks - note 8) | 3,155                   | 2,371           | 2,059            |
| Other assets   | 431                     | 497             | 310              |
| Due to other banks   | (11)                    | (9)             | (6)              |
| Due to related entities  | (175)                   | (182)           | (173)            |
| Other liabilities  | (101)                   | (82)            | (53)             |
|  | <u>3,299</u>            | <u>2,595</u>    | <u>2,137</u>     |

**22. Related party transactions**

The Bank is a wholly owned controlled entity of National Australia Group Europe Limited. The ultimate parent entity of the Bank is National Australia Bank Limited.

During the period there have been transactions between the Bank, its ultimate parent, controlled entities of the ultimate parent, controlled entities of the Bank, and other related parties.

The Bank provides a range of services to related parties, including the provision of banking facilities and standby financing arrangements. Other dealings include granting loans and accepting deposits, and the provision of finance, forward exchange and interest cover. Those transactions are normally subject to commercial terms and conditions.

The Bank and Group receives a range of services from the parent and related parties, including loans and deposits, forward exchange and interest rate cover and various administrative services. Fees may be charged for these services.

**Amounts due from related entities**

|  | <b>31 Mar 08<br/>£m</b> | 31 Mar 07<br>£m | 30 Sept 07<br>£m |
|--|-------------------------|-----------------|------------------|
| <b>Loans</b>                               |                         |                 |                  |
| Ultimate parent                            | 339                     | 587             | 1,306            |
| Controlled entities of the ultimate parent | <u>11</u>               | <u>20</u>       | <u>13</u>        |
|  | <u>350</u>              | <u>607</u>      | <u>1,319</u>     |
| <b>Other receivables</b>                   |                         |                 |                  |
| Ultimate parent                            | -                       | -               | 5                |
| Controlled entities of the ultimate parent | <u>3</u>                | <u>4</u>        | <u>5</u>         |
|  | <u>3</u>                | <u>4</u>        | <u>10</u>        |
| Total amounts due from related entities    | <u>353</u>              | <u>611</u>      | <u>1,329</u>     |

## CLYDESDALE BANK PLC

### Notes to the Interim Financial Statements (continued)

#### 22. Related party transactions (continued)

|  | 31 Mar 08<br>£m | 31 Mar 07<br>£m | 30 Sept 07<br>£m |
|--|-----------------|-----------------|------------------|
| Interest income on the above amounts was as follows:       |                 |                 |                  |
| Ultimate parent  | 32              | 19              | 44               |
| Controlled entities of the ultimate parent                 | -               | 1               | -                |
| Total interest income on amounts due from related entities | <u>32</u>       | <u>20</u>       | <u>44</u>        |

#### Amounts due to related entities

|  | 31 Mar 08<br>£m | 31 Mar 07<br>£m | 30 Sept 07<br>£m |
|--|-----------------|-----------------|------------------|
| <i>Deposits</i>                            |                 |                 |                  |
| Ultimate parent                            | 3,480           | 2,929           | 3,274            |
| Controlled entities of the ultimate parent | 183             | 158             | 140              |
|  | <u>3,663</u>    | <u>3,087</u>    | <u>3,414</u>     |

#### *Subordinated liabilities*

|  |            |            |            |
|--|------------|------------|------------|
| Controlled entities of the ultimate parent | <u>426</u> | <u>622</u> | <u>426</u> |
|--|------------|------------|------------|

#### *Other payables*

|  |           |            |           |
|--|-----------|------------|-----------|
| Ultimate parent                            | 5         | 32         | 50        |
| Controlled entities of the ultimate parent | 38        | 471        | 25        |
|  | <u>43</u> | <u>503</u> | <u>75</u> |

Total amounts due to related parties

|  |              |              |              |
|--|--------------|--------------|--------------|
|  | <u>4,132</u> | <u>4,212</u> | <u>3,915</u> |
|--|--------------|--------------|--------------|

Interest expense on the above amounts was as follows:

|   |            |            |            |
|---|------------|------------|------------|
| Ultimate parent   | 95         | 75         | 182        |
| Controlled entities of the ultimate parent                | 18         | 35         | 46         |
| Total interest expense on amounts due to related entities | <u>113</u> | <u>110</u> | <u>228</u> |

#### *Securitisation*

During the period the Bank borrowed a net £2,998m (2007: £3,296m) from its securitisation SPEs (note 12), being the net proceeds from securitisation transactions in the year.

#### Other transactions with related entities

|  | 6 months to<br>31 Mar 08<br>£m | 6 months to<br>31 Mar 07<br>£m | 12 months to<br>30 Sept 07<br>£m |
|--|--------------------------------|--------------------------------|----------------------------------|
| <i>Non interest income received</i>        |                                |                                |                                  |
| Controlled entities of the ultimate parent | <u>11</u>                      | <u>11</u>                      | <u>21</u>                        |
| <i>Administrative expenses</i>             |                                |                                |                                  |
| Ultimate parent                            | 2                              | 2                              | 4                                |
| Controlled entities of the ultimate parent | 147                            | 139                            | 282                              |
|  | <u>149</u>                     | <u>141</u>                     | <u>286</u>                       |

**CLYDESDALE BANK PLC**  
**Notes to the Interim Financial Statements (continued)**

**23. Maturity profile**

The tables below show assets and liabilities analysed according to when they are expected to be recovered or settled.

| <b>31 Mar 08</b>  | <b>Call<br/>£m</b> | <b>3 months<br/>or less<br/>£m</b> | <b>3 to 12<br/>months<br/>£m</b> | <b>1 to 5<br/>years<br/>£m</b> | <b>Over 5<br/>years<br/>£m</b> | <b>No specified<br/>maturity<br/>£m</b> | <b>Total<br/>£m</b> |
|---|--------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|---|---------------------|
| <b>Assets</b>   |                    |                                    |                                  |                                |                                |   |                     |
| Cash and balances with central banks                        | 3,190              | -                                  | -                                | -                              | -                              | -                                       | 3,190               |
| Loans and advances to other banks                           | 33                 | 520                                | -                                | -                              | -                              | -                                       | 553                 |
| Derivative financial assets                                 | 454                | -                                  | -                                | -                              | -                              | -                                       | 454                 |
| Financial assets at fair value through profit and loss      | 223                | 231                                | 82                               | 1,574                          | 1,783                          | (2)                                     | 3,891               |
| Financial investments                                       | 1                  | 210                                | 28                               | 200                            | 2                              | -                                       | 441                 |
| Loans and advances to customers                             | 3,981              | -                                  | 5,763                            | 3,099                          | 14,528                         | -                                       | 27,371              |
| Due from customers on acceptances                           | -                  | 5                                  | -                                | -                              | -                              | -                                       | 5                   |
| Due from related entities                                   | 20                 | 310                                | -                                | 5                              | 18                             | -                                       | 353                 |
| All other assets  | 431                | -                                  | -                                | -                              | -                              | 1,848                                   | 2,279               |
| <b>Total assets</b>   | <b>8,333</b>       | <b>1,276</b>                       | <b>5,873</b>                     | <b>4,878</b>                   | <b>16,331</b>                  | <b>1,846</b>                            | <b>38,537</b>       |
| <b>Liabilities</b>  |                    |                                    |                                  |                                |                                |   |                     |
| Due to other banks  | 100                | 620                                | 329                              | 2,000                          | -                              | -                                       | 3,049               |
| Derivative financial liabilities                            | 38                 | -                                  | -                                | -                              | -                              | -                                       | 38                  |
| Financial liabilities at fair value through profit and loss | 305                | 2                                  | -                                | 158                            | -                              | -                                       | 465                 |
| Due to customers  | 14,697             | 4,027                              | 1,498                            | 478                            | 4                              | -                                       | 20,704              |
| Liabilities on acceptances                                  | -                  | 5                                  | -                                | -                              | -                              | -                                       | 5                   |
| Bonds and notes   | (1)                | -                                  | -                                | 4,233                          | 1,100                          | -                                       | 5,332               |
| Due to related entities                                     | 202                | 1,620                              | 404                              | 1,052                          | 854                            | -                                       | 4,132               |
| All other liabilities                                       | 101                | -                                  | -                                | -                              | -                              | 2,598                                   | 2,699               |
| <b>Total liabilities</b>                                    | <b>15,442</b>      | <b>6,274</b>                       | <b>2,231</b>                     | <b>7,921</b>                   | <b>1,958</b>                   | <b>2,598</b>                            | <b>36,424</b>       |

**CLYDESDALE BANK PLC**  
**Notes to the Interim Financial Statements (continued)**

**23. Maturity profile (continued)**

| 31 Mar 07   | Call<br>£m    | 3 months<br>or less<br>£m | 3 to 12<br>months<br>£m | 1 to 5<br>years<br>£m | Over 5<br>years<br>£m | No specified<br>maturity<br>£m | Total<br>£m   |
|---|---------------|---------------------------|-------------------------|-----------------------|-----------------------|--------------------------------|---------------|
| <b>Assets</b>   |               |                           |                         |                       |                       |                                |               |
| Cash and balances with central banks                        | 2,402         | -                         | -                       | -                     | -                     | -                              | 2,402         |
| Loans and advances to other banks                           | 29            | 501                       | -                       | -                     | -                     | -                              | 530           |
| Derivative financial assets                                 | 50            | -                         | -                       | -                     | -                     | -                              | 50            |
| Financial assets at fair value through profit and loss      | 33            | 22                        | 488                     | 1,226                 | 858                   | -                              | 2,627         |
| Financial investments                                       | -             | 175                       | -                       | 402                   | 2                     | -                              | 579           |
| Loans and advances to customers                             | 3,470         | -                         | 4,627                   | 3,239                 | 11,798                | -                              | 23,134        |
| Due from customers on acceptances                           | -             | 5                         | -                       | -                     | -                     | -                              | 5             |
| Due from related entities                                   | 3             | 597                       | -                       | 9                     | -                     | 2                              | 611           |
| All other assets  | 497           | -                         | -                       | -                     | -                     | 595                            | 1,092         |
| <b>Total assets</b>   | <b>6,484</b>  | <b>1,300</b>              | <b>5,115</b>            | <b>4,876</b>          | <b>12,658</b>         | <b>597</b>                     | <b>31,030</b> |
| <b>Liabilities</b>  |               |                           |                         |                       |                       |                                |               |
| Due to other banks  | 39            | 448                       | 50                      | 2,000                 | -                     | -                              | 2,537         |
| Derivative financial liabilities                            | 38            | -                         | -                       | 17                    | -                     | -                              | 55            |
| Financial liabilities at fair value through profit and loss | -             | -                         | -                       | -                     | 253                   | 13                             | 266           |
| Due to customers  | 14,021        | 2,995                     | 1,463                   | 39                    | 2                     | -                              | 18,520        |
| Liabilities on acceptances                                  | -             | 5                         | -                       | -                     | -                     | -                              | 5             |
| Bonds and notes   | (2)           | -                         | -                       | 1,398                 | 450                   | -                              | 1,846         |
| Due to related entities                                     | 175           | 1,068                     | 1,369                   | 1,149                 | 429                   | 22                             | 4,212         |
| All other liabilities                                       | 82            | -                         | -                       | -                     | -                     | 1,578                          | 1,660         |
| <b>Total liabilities</b>                                    | <b>14,353</b> | <b>4,516</b>              | <b>2,882</b>            | <b>4,603</b>          | <b>1,134</b>          | <b>1,613</b>                   | <b>29,101</b> |

**CLYDESDALE BANK PLC**  
**Notes to the Interim Financial Statements (continued)**

**23. Maturity profile (continued)**

| 30 Sept 07   | Call<br>£m    | 3 months<br>or less<br>£m | 3 to 12<br>months<br>£m | 1 to 5<br>years<br>£m | Over 5<br>years<br>£m | No specified<br>maturity<br>£m | Total<br>£m   |
|--|---------------|---------------------------|-------------------------|-----------------------|-----------------------|--------------------------------|---------------|
| <b>Assets</b>  |               |                           |                         |                       |                       |                                |               |
| Cash and balances with<br>central banks                        | 2,093         | -                         | -                       | -                     | -                     | -                              | 2,093         |
| Loans and advances<br>to other banks                           | 18            | 667                       | -                       | -                     | -                     | -                              | 685           |
| Derivative financial assets                                    | 126           | -                         | -                       | -                     | -                     | -                              | 126           |
| Financial assets at fair value<br>through profit and loss      | 103           | 101                       | 103                     | 1,159                 | 1,586                 | 1                              | 3,053         |
| Financial investments  | -             | 1,263                     | 50                      | 399                   | 2                     | -                              | 1,714         |
| Loans and advances<br>to customers                             | 3,690         | 9                         | 5,055                   | 3,584                 | 12,717                | -                              | 25,055        |
| Due from customers<br>on acceptances                           | -             | 3                         | -                       | -                     | -                     | -                              | 3             |
| Due from related entities                                      | 459           | 861                       | 9                       | -                     | -                     | -                              | 1,329         |
| All other assets   | 310           | -                         | -                       | -                     | -                     | 1,193                          | 1,503         |
| <b>Total assets</b>  | <b>6,799</b>  | <b>2,904</b>              | <b>5,217</b>            | <b>5,142</b>          | <b>14,305</b>         | <b>1,194</b>                   | <b>35,561</b> |
| <b>Liabilities</b>   |               |                           |                         |                       |                       |                                |               |
| Due to other banks   | 47            | 229                       | 13                      | 2,000                 | -                     | -                              | 2,289         |
| Derivative financial liabilities                               | 22            | -                         | -                       | -                     | -                     | -                              | 22            |
| Financial liabilities at fair value<br>through profit and loss | 193           | 24                        | 43                      | 31                    | 151                   | -                              | 442           |
| Due to customers   | 14,551        | 3,085                     | 1,171                   | 505                   | 7                     | -                              | 19,319        |
| Liabilities on acceptances                                     | -             | 3                         | -                       | -                     | -                     | -                              | 3             |
| Bonds and notes  | (5)           | -                         | 200                     | 4,176                 | 1,100                 | -                              | 5,471         |
| Due to related entities  | 363           | 788                       | 807                     | 676                   | 1,281                 | -                              | 3,915         |
| All other liabilities  | 53            | -                         | -                       | -                     | -                     | 1,925                          | 1,978         |
| <b>Total liabilities</b>                                       | <b>15,224</b> | <b>4,129</b>              | <b>2,234</b>            | <b>7,388</b>          | <b>2,539</b>          | <b>1,925</b>                   | <b>33,439</b> |

**CLYDESDALE BANK PLC**  
**Notes to the Interim Financial Statements (continued)**

**24. Interest rate sensitivity gap analysis**

Part of the Group's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The tables below summarise these repricing mismatches on the Group's non-trading book as at 31 March 2008, 31 March 2007 and 30 September 2007. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date or the maturity date.

A negative interest rate sensitivity gap exists when more liabilities than assets reprice during a given period. Although a negative gap position tends to benefit net interest income in a declining interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rate sensitivity within repricing periods and among currencies.

| 31 Mar 08  | Weighted<br>average<br>effective<br>interest<br>rate<br>% | 0 to 3<br>months<br>£m | 3 to 12<br>months<br>£m | 1 to 2<br>years<br>£m | 2 to 3<br>years<br>£m | 3 to 4<br>years<br>£m | 4 to 5<br>years<br>£m | Over 5<br>years<br>£m | Non                       | Total<br>£m   |
|--|---|------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------|---------------|
|  |   |                        |                         |                       |                       |                       |                       |                       | interest<br>bearing<br>£m |               |
| <b>Assets</b>  |   |                        |                         |                       |                       |                       |                       |                       |                           |               |
| Cash assets  | 5.26  | 3,042                  | -                       | -                     | -                     | -                     | -                     | -                     | 113                       | 3,155         |
| Balances with supervisory<br>central banks                     |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 35                        | 35            |
| Loans and advances<br>to other banks                           | 5.32  | 553                    | -                       | -                     | -                     | -                     | -                     | -                     | -                         | 553           |
| Derivative financial assets                                    |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 454                       | 454           |
| Financial assets at fair value<br>through profit and loss      | 6.74  | 864                    | 86                      | 212                   | 371                   | 285                   | 458                   | 1,615                 | -                         | 3,891         |
| Financial investments  |   |                        |                         |                       |                       |                       |                       |                       |                           |               |
| -Available for sale  | 5.85  | 201                    | -                       | -                     | -                     | -                     | -                     | -                     | -                         | 201           |
| -Held to maturity  | 5.81  | 211                    | 28                      | -                     | -                     | -                     | -                     | -                     | 1                         | 240           |
| Loans and advances<br>to customers                             | 8.68  | 22,317                 | 1,752                   | 1,547                 | 1,018                 | 517                   | 374                   | 88                    | (242)                     | 27,371        |
| Due from customers<br>on acceptances                           |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 5                         | 5             |
| Due from related entities                                      |   | 353                    | -                       | -                     | -                     | -                     | -                     | -                     | -                         | 353           |
| All other assets   |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 2,279                     | 2,279         |
| <b>Total assets</b>  |   | <b>27,541</b>          | <b>1,866</b>            | <b>1,759</b>          | <b>1,389</b>          | <b>802</b>            | <b>832</b>            | <b>1,703</b>          | <b>2,645</b>              | <b>38,537</b> |
| <b>Liabilities</b>   |   |                        |                         |                       |                       |                       |                       |                       |                           |               |
| Due to other banks   | 5.24  | 2,719                  | 330                     | -                     | -                     | -                     | -                     | -                     | -                         | 3,049         |
| Derivative financial liabilities                               |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 38                        | 38            |
| Financial liabilities at fair value<br>through profit and loss | 4.38  | 305                    | 3                       | 4                     | 5                     | 6                     | 7                     | 135                   | -                         | 465           |
| Due to customers   | 3.27  | 18,407                 | 1,386                   | 172                   | 78                    | 3                     | 6                     | 4                     | 648                       | 20,704        |
| Liabilities on acceptances                                     |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 5                         | 5             |
| Bonds and notes  | 5.81  | 4,882                  | -                       | -                     | 250                   | 200                   | -                     | -                     | -                         | 5,332         |
| Due to related entities  |   | 3,669                  | 216                     | 29                    | 18                    | 200                   | -                     | -                     | -                         | 4,132         |
| All other liabilities  |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 2,699                     | 2,699         |
| Shareholders' equity   |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 2,113                     | 2,113         |
| <b>Total liabilities and<br/>shareholders' equity</b>          |   | <b>29,982</b>          | <b>1,935</b>            | <b>205</b>            | <b>351</b>            | <b>409</b>            | <b>13</b>             | <b>139</b>            | <b>5,503</b>              | <b>38,537</b> |
| Off balance sheet items  |   | (2,083)                | 2,025                   | 754                   | 1,707                 | (185)                 | (918)                 | (1,300)               | -                         | -             |
| Interest rate sensitivity gap                                  |   | (4,524)                | 1,956                   | 2,308                 | 2,745                 | 208                   | (99)                  | 264                   | (2,858)                   | -             |
| <b>Cumulative gap</b>  |   | <b>(4,524)</b>         | <b>(2,568)</b>          | <b>(260)</b>          | <b>2,485</b>          | <b>2,693</b>          | <b>2,594</b>          | <b>2,858</b>          | <b>-</b>                  | <b>-</b>      |

**CLYDESDALE BANK PLC**  
Notes to the Interim Financial Statements (continued)

**24. Interest rate sensitivity gap analysis (continued)**

| 31 Mar 07  | Weighted<br>average<br>effective<br>interest<br>rate<br>% | 0 to 3<br>months<br>£m | 3 to 12<br>months<br>£m | 1 to 2<br>years<br>£m | 2 to 3<br>years<br>£m | 3 to 4<br>years<br>£m | 4 to 5<br>years<br>£m | Over 5<br>years<br>£m | Non<br>interest<br>bearing<br>£m | Total<br>£m   |
|--|---|------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------------|---------------|
| <b>Assets</b>  |   |                        |                         |                       |                       |                       |                       |                       |                                  |               |
| Cash assets  | 5.29  | 2,285                  | -                       | -                     | -                     | -                     | -                     | -                     | 87                               | 2,372         |
| Balances with supervisory<br>central banks                     |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 30                               | 30            |
| Loans and advances<br>to other banks                           | 5.10  | 530                    | -                       | -                     | -                     | -                     | -                     | -                     | -                                | 530           |
| Derivative financial assets                                    |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 50                               | 50            |
| Financial assets at fair value<br>through profit and loss      | 6.35  | 147                    | 71                      | 150                   | 154                   | 332                   | 293                   | 1,447                 | 33                               | 2,627         |
| Financial investments  |   |                        |                         |                       |                       |                       |                       |                       |                                  |               |
| -Available for sale  | 6.55  | 402                    | -                       | -                     | -                     | -                     | -                     | -                     | -                                | 402           |
| -Held to maturity  | 6.86  | 175                    | -                       | -                     | -                     | -                     | -                     | -                     | 2                                | 177           |
| Loans and advances<br>to customers                             | 8.47  | 18,115                 | 1,804                   | 1,466                 | 618                   | 487                   | 522                   | 269                   | (147)                            | 23,134        |
| Due from customers<br>on acceptances                           |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 5                                | 5             |
| Due from related entities                                      |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 611                              | 611           |
| All other assets   |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 1,092                            | 1,092         |
| <b>Total assets</b>  |   | <b>21,654</b>          | <b>1,875</b>            | <b>1,616</b>          | <b>772</b>            | <b>819</b>            | <b>815</b>            | <b>1,716</b>          | <b>1,763</b>                     | <b>31,030</b> |
| <b>Liabilities</b>   |   |                        |                         |                       |                       |                       |                       |                       |                                  |               |
| Due to other banks   | 5.46  | 2,487                  | 50                      | -                     | -                     | -                     | -                     | -                     | -                                | 2,537         |
| Derivative financial liabilities                               |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 55                               | 55            |
| Financial liabilities at fair value<br>through profit and loss | 4.38  | -                      | 1                       | 3                     | 4                     | 5                     | 6                     | 228                   | 19                               | 266           |
| Due to customers   | 3.09  | 15,512                 | 1,420                   | 143                   | 117                   | 3                     | 8                     | -                     | 1,317                            | 18,520        |
| Liabilities on acceptances                                     |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 5                                | 5             |
| Bonds and notes  | 5.51  | 1,197                  | 200                     | -                     | -                     | 250                   | 199                   | -                     | -                                | 1,846         |
| Due to related entities  |   | 2,929                  | -                       | -                     | -                     | -                     | -                     | -                     | 1,283                            | 4,212         |
| All other liabilities  |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 1,660                            | 1,660         |
| Shareholders' equity   |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 1,929                            | 1,929         |
| <b>Total liabilities and<br/>shareholders' equity</b>          |   | <b>22,125</b>          | <b>1,671</b>            | <b>146</b>            | <b>121</b>            | <b>258</b>            | <b>213</b>            | <b>228</b>            | <b>6,268</b>                     | <b>31,030</b> |
| Off balance sheet items  |   | (4,589)                | 1,908                   | 725                   | 1,676                 | 125                   | 1,353                 | (1,198)               | -                                | -             |
| Interest rate sensitivity gap                                  |   | (5,060)                | 2,112                   | 2,195                 | 2,327                 | 686                   | 1,955                 | 290                   | (4,505)                          | -             |
| <b>Cumulative gap</b>  |   | <b>(5,060)</b>         | <b>(2,948)</b>          | <b>(753)</b>          | <b>1,574</b>          | <b>2,260</b>          | <b>4,215</b>          | <b>4,505</b>          | <b>-</b>                         | <b>-</b>      |

**CLYDESDALE BANK PLC**  
Notes to the Interim Financial Statements (continued)

**24. Interest rate sensitivity gap analysis (continued)**

| 30 Sept 07   | Weighted<br>average<br>effective<br>interest<br>rate<br>% | 0 to 3<br>months<br>£m | 3 to 12<br>months<br>£m | 1 to 2<br>years<br>£m | 2 to 3<br>years<br>£m | 3 to 4<br>years<br>£m | 4 to 5<br>years<br>£m | Over 5<br>years<br>£m | Non<br>interest<br>bearing<br>£m | Total<br>£m   |
|--|---|------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------------|---------------|
| <b>Assets</b>  |   |                        |                         |                       |                       |                       |                       |                       |                                  |               |
| Cash assets  | 5.68  | 1,975                  | -                       | -                     | -                     | -                     | -                     | -                     | 84                               | 2,059         |
| Balances with supervisory<br>central banks                     |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 34                               | 34            |
| Loans and advances<br>to other banks                           | 6.10  | 685                    | -                       | -                     | -                     | -                     | -                     | -                     | -                                | 685           |
| Derivative financial assets                                    |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 126                              | 126           |
| Financial assets at fair value<br>through profit and loss      | 8.09  | 55                     | 80                      | 142                   | 232                   | 300                   | 406                   | 1,689                 | 149                              | 3,053         |
| Financial investments  |   |                        |                         |                       |                       |                       |                       |                       |                                  |               |
| -Available for sale  | 4.84  | 400                    | -                       | -                     | -                     | -                     | -                     | -                     | -                                | 400           |
| -Held to maturity  | 6.15  | 1,314                  | -                       | -                     | -                     | -                     | -                     | -                     | -                                | 1,314         |
| Loans and advances<br>to customers                             | 7.07  | 19,294                 | 1,688                   | 1,756                 | 772                   | 635                   | 618                   | 527                   | (235)                            | 25,055        |
| Due from customers<br>on acceptances                           |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 3                                | 3             |
| Due from related entities                                      |   | 1,311                  | -                       | -                     | -                     | -                     | -                     | -                     | 18                               | 1,329         |
| All other assets   |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 1,503                            | 1,503         |
| <b>Total assets</b>  |   | <b>25,034</b>          | <b>1,768</b>            | <b>1,898</b>          | <b>1,004</b>          | <b>935</b>            | <b>1,024</b>          | <b>2,216</b>          | <b>1,682</b>                     | <b>35,561</b> |
| <b>Liabilities</b>   |   |                        |                         |                       |                       |                       |                       |                       |                                  |               |
| Due to other banks   | 5.24  | 2,276                  | 13                      | -                     | -                     | -                     | -                     | -                     | -                                | 2,289         |
| Derivative financial liabilities                               |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 22                               | 22            |
| Financial liabilities at fair value<br>through profit and loss | 4.43  | (2)                    | 3                       | 4                     | 5                     | 6                     | 7                     | 304                   | 115                              | 442           |
| Due to customers   | 3.23  | 16,377                 | 1,912                   | 248                   | 136                   | 5                     | 3                     | 41                    | 597                              | 19,319        |
| Liabilities on acceptances                                     |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 3                                | 3             |
| Bonds and notes  | 6.30  | 5,021                  | -                       | -                     | -                     | 250                   | 200                   | -                     | -                                | 5,471         |
| Due to related entities  |   | 3,780                  | 56                      | -                     | -                     | -                     | -                     | -                     | 79                               | 3,915         |
| All other liabilities  |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 1,978                            | 1,978         |
| Shareholders' equity   |   | -                      | -                       | -                     | -                     | -                     | -                     | -                     | 2,122                            | 2,122         |
| <b>Total liabilities and<br/>shareholders' equity</b>          |   | <b>27,452</b>          | <b>1,984</b>            | <b>252</b>            | <b>141</b>            | <b>261</b>            | <b>210</b>            | <b>345</b>            | <b>4,916</b>                     | <b>35,561</b> |
| Off balance sheet items  |   | (1,362)                | 1,664                   | 726                   | 1,347                 | (442)                 | (641)                 | (1,292)               | -                                | -             |
| Interest rate sensitivity gap                                  |   | (3,780)                | 1,448                   | 2,372                 | 2,210                 | 232                   | 173                   | 579                   | (3,234)                          | -             |
| <b>Cumulative gap</b>  |   | <b>(3,780)</b>         | <b>(2,332)</b>          | <b>40</b>             | <b>2,250</b>          | <b>2,482</b>          | <b>2,655</b>          | <b>3,234</b>          | <b>-</b>                         | <b>-</b>      |



**For more information**

|                    |   |
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