Interim Condensed Consolidated Financial Statements.

Clydesdale Bank PLC.

For the six months ended 31 March 2010.

Company Number: SC001111.

Clydesdale Bank

CLYDESDALE BANK PLC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2010

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Officers and Professional Advisers

Directors	**Chairman:**	Sir Malcolm Williamson #
	Non-executive:	Jonathan Dawson* # Sir David Fell KCB* Richard Gregory OBE * # Roy Nicolson * # Elizabeth Padmore Peter Wood*
	Executive:	Lynne Peacock (Chief Executive Officer) # Cameron Clyne (appointed 8 January 2010) John Hooper # David Thorburn #
		* Member of the European Boards' Audit Committee # Member of the European Boards' Risk Committee
UK Executive Committee		Lynne Peacock, Chief Executive Officer David Thorburn, Executive Director John Hooper, Executive Director Margaret Butler, Quality and Efficiency Director Debbie Crosbie, Chief Information Officer Dean Cutbill, Products & Marketing Director Eric Gunn, Chief Risk Officer Steven Martin, Head of Strategic Developments Kevin Page, Operations Director Steve Reid, Retail Director Iain Smith, Chief Financial Officer Michael Webber, Head of Legal Services and Company Secretary Arthur Willett, Human Resources Director Mike Williams, Executive General Manager iFS
Secretary		Michael Webber
Registered Office		30 St Vincent Place Glasgow, G1 2HL
Auditor		Ernst & Young LLP 1 More London Place London, SE1 2AF

CLYDESDALE BANK PLC
Chairman's Statement

Sir Malcolm Williamson, Chairman

Although there are now consistent signs that the UK economy is recovering, recent trading conditions for the UK banks have remained challenging. Clydesdale Bank, operating under the Clydesdale Bank and Yorkshire Bank brands, has emerged from the recent turmoil in the domestic banking sector with an enhanced reputation and its business model, based on providing traditional products and services to retail and business customers, has proved resilient.

The underlying business momentum has been maintained through the half year, with the Bank demonstrating its commitment to supporting its customers with a good flow of new lending. This has been accompanied by the continued development of our retail deposit base which achieved strong growth within a highly competitive market. This business growth is testament to the successful execution of a consistent strategy, which has involved investing in our franchise and improving capabilities over a number of years.

Overall financial performance continues to be adversely impacted by the level of bad and doubtful debts, which reflects the broader trends within the economy and the markets in which we operate. Notwithstanding this, the lending portfolio remains well secured and diversified and is performing well given the economic environment and the growth in impaired assets is slowing. Clydesdale and Yorkshire Banks have supported their business and personal customers who have faced financial difficulty with a range of initiatives, consistent with our relationship approach to banking.

There have been encouraging signs of income growth, particularly net interest income, and the Bank continued to maintain its ongoing programme of business efficiency improvements. The balance sheet remains strong, with regulatory capital and capital ratios improving during the half year and a significant increase in the Bank's liquid asset portfolio.

The outlook remains cautious until recent trends of stronger economic growth are firmly established. However, the fundamentals of our business are strong and we are well positioned to take advantage of future market growth and opportunities.

Sir Malcolm Williamson
Chairman
10 June 2010

Lynne Peacock, Chief Executive Officer

Overview

The Clydesdale Bank PLC ("the Bank") together with its subsidiary undertakings (which together comprise "the Group") is the United Kingdom arm of the National Australia Bank Limited ("NAB"). The Group operates under the Clydesdale and Yorkshire Bank brands. Combining global strength with the local service of an established regional bank, it offers a range of banking services for both personal and business customers.

There are now consistent signs that the UK economy is recovering, but the view on the outlook remains cautious until longer term trends are evidenced. The underlying business momentum has continued through the half and overall the business continues to perform well. Strong capital ratios and levels of liquidity have been maintained.

Strategic Highlights & Business Developments

The Group's operating profit before impairment losses for the half year ended 31 March 2010 was £202 million while the profit after tax for the half of £4 million was down on the prior corresponding period. Continuing to attract and retaining a strong retail deposit base has remained a key strategic priority and growth of 11.4% on the prior corresponding period has been achieved in a highly competitive market. This growth has contributed to an increased Stable Funding Index (SFI) of 105.5% and a higher Customer Funding Index (CFI) of 83.7%.

The Bank demonstrated strong support for its customers, with new lending of £2.2 billion in the half. In common with much of the UK Banking industry, however, subdued market demand for credit and a conscious effort to reduce commercial property lending left the overall balance sheet flat on the prior half.

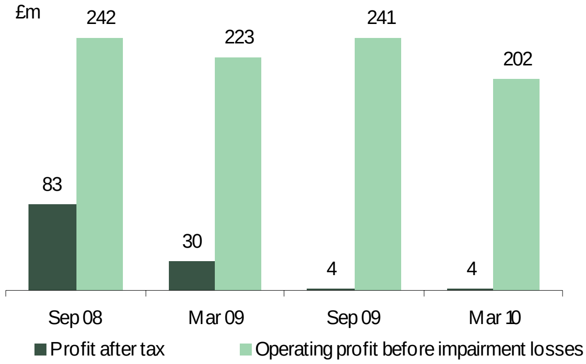
In a market where the leading players have experienced adverse customer sentiment, the Clydesdale and Yorkshire brands continued to enhance their reputation. Capitalising on this brand strength, the Retail Bank has introduced 'Our Promise', a programme which addresses seven key areas of customer experience. This has been supported by a staff commitment programme that includes process improvements and greater co-ordination between the front and back offices.

The Bank continued to maintain its ongoing programme of business efficiency improvements.

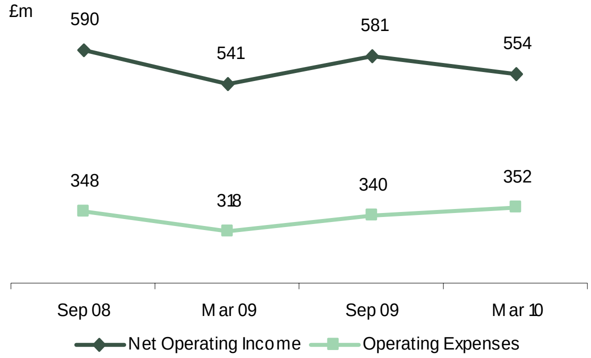
As a whole, the Bank's portfolio remains well-secured and diversified both geographically and by lending type and is performing well given the economic environment. The rate of growth in impaired assets is slowing with a shift in mix away from predominantly commercial property. The market for disposing of these assets, however, is still below normal levels, resulting in assets remaining in the impaired category longer than has previously been experienced.

Strategic Highlights & Business Developments (continued)

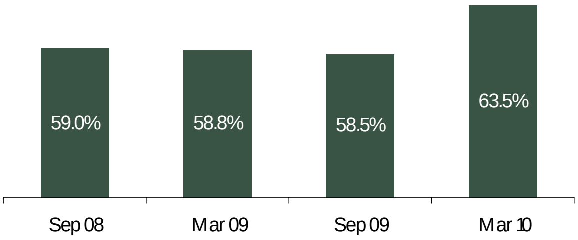
Operating Profit before Impairment Losses and Profit after Tax



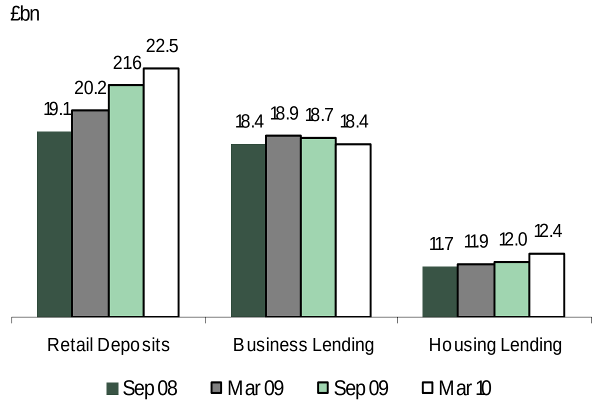
Income and Expense Trends



Cost to Income Ratio



Loans and Deposits Half Year Average Balances



Operating Environment

UK GDP increased by 0.4% in the fourth quarter of 2009 compared with a decrease of 0.2% in the third quarter. Growing confidence in recovery comes from purchasing managers, property surveyors, high street retailers, and from better than expected unemployment data.

Purchasing managers' indices are generally held to be more forward looking than GDP releases. The manufacturing index rose over the quarter to 31 March 2010, while the service sector index remained at a similar level.

House prices are also maintaining modest, but consistent, rises. The Nationwide House Price Index reported continued house price growth for the first quarter of 2010 at 1.6%. The Halifax House Price Index reported a 1.1% increase in March, the eighth increase in the last nine months. Commercial property prices are now starting to show signs of increase having fallen by 44% from their peak.

Unemployment figures for December 2009 were more benign than would normally be expected at this stage in the economic cycle. Normally a lagging indicator, employment data released in December showed the smallest quarterly increase in unemployment since Spring 2008. The average unemployment rate for the three months to January 2010 was 7.8%.

The consumer price index rose to a 14 month high of 3.5% in January 2010 as expected, driven by the restoration of the standard VAT rate and higher petrol costs. The Bank of England predicts that inflation will fall back below the 2.0% target later in the year as the economy continues to recover.

Operating Environment (continued)

The Confederation of British Industry (CBI) believes that 2010 will be challenging, with growth in the first six months being weak. It forecasts annual growth for the year of 1.2%, rising to 2.5% in 2011. By the end of 2011, the CBI believes that the economy will still not be at pre-recession levels of growth, which highlights the depth of the recession and the sluggish nature of the recovery.

The sizeable economic stimuli impacting the economy, including low interest rates, quantitative easing and government spending, have had some impact on levelling off the decline in UK output. There remain, however, significant headwinds. These include the continuing fall-out from the still-damaged banking sector and the need for the household sector to pay down some of the large debt it has accumulated over the last 5 to 10 years. Moreover, following the General Election the coalition government has announced an initial round of cut backs in public sector spending which are likely to impact on both demand and employment, and additionally an emergency budget has been announced for 22nd June 2010.

The UK financial markets saw the average daily spread between Base Rate and three month LIBOR return to more normal levels at 11 basis points for the six months to March 2010, compared to its peak at 115 basis points for the six months to March 2009 (the 90 day rolling average spread dropped to 13 basis points for the six months to March 2010 from its peak of 211 basis points in the six months to March 2009).

The ‘normalisation’ of funding costs, coupled with the actions taken in the prior year to reduce the exposure, has resulted in a significant decrease in the cost of basis risk in the half.

In November 2009, the UK Supreme Court unanimously ruled in favour of the banks, which included Clydesdale Bank PLC, regarding certain charges. It concluded that unarranged overdraft charges are an important part of current account services which the banks provide to their customers and that the level of those charges is not assessable for fairness. In December 2009 the Office of Fair Trading announced that it would not be taking forward its investigations into the fairness of the banks’ unarranged overdraft charges. This effectively closes issues relating to past complaints and attention will now focus on future charging structures.

Market-wide issues relating to payment protection insurance claims handling and levies under the Financial Services Compensation Scheme are all ongoing.

Customer, Employees and Community

Customers

The Bank is committed to high standards of customer service, adding value and doing the right thing for customers, employees and the environment.

During the period the proportion of customers acquired into key retail segments continued to improve. Underlying customer retention levels are broadly stable.

Employees

Staff support for local charities continued with nearly 20% of employees giving as they earn (GAYE), one of the highest participation levels across the financial services industry. During the past 28 months, staff-led initiatives have raised nearly £1million for Clydesdale Bank's charity partner 'Help the Hospices'. In addition, over 4,000 community days have been donated by staff, in conjunction with the Bank, to support local communities and projects.

Community

The Bank recognises the importance of supporting the communities in which it operates. Sponsorship programmes include the Clydesdale Bank Scottish Premier Football League which has now been extended up to the 2012/2013 season and the 2010 Scottish Commonwealth Games Team.

As part of an ongoing commitment to heritage Yorkshire Bank joined with The National Trust to help protect and preserve Britain's beautiful gardens.

The Bank recently signed a three year deal with the England and Wales Cricket Board as title sponsor for the new domestic ‘40-over’ competition, demonstrating its continuing support of domestic cricket. The new competition is an exciting opportunity for the Bank to be part of cricket’s further development in the UK.

Awards

Reflecting its support of the communities in which it operates, the UK business achieved Gold Award status in the 2009 Business in the Community Corporate Responsibility Index. A score of over 90% was achieved for good management practice across community, environment, marketplace and workplace.

Financial Analysis

	Half Year to			Change	
	Mar 10 £m	Mar 09 £m	Sep 09 £m	Mar 10 v Mar 09 %	Mar 10 v Sep 09 %
Net interest income	**486**	383	462	26.9	5.2
Non interest income	**68**	158	119	(57.0)	(42.9)
Total operating income	**554**	541	581	2.4	(4.6)
Total operating expenses	**(352)**	(318)	(340)	10.7	3.5
Operating profit before impairment losses	**202**	223	241	(9.4)	(16.2)
Impairment losses on credit exposures	**(188)**	(168)	(231)	11.9	(18.6)
Group operating profit	**14**	55	10	(74.5)	40.0
Significant items (1)	**(8)**	(12)	(5)	(33.3)	60.0
Profit on ordinary activities before tax	**6**	43	5	(86.0)	20.0
Tax expense	**(2)**	(13)	(1)	(84.6)	100.0
Profit for the period	**4**	30	4	(86.7)	-
Average Volumes (£bn)					
Gross loans and acceptances (2)	**32.9**	33.3	33.1	(1.2)	(0.6)
Interest earning assets	**40.6**	38.4	39.6	5.7	2.5
Total assets	**43.8**	42.0	42.2	4.3	3.8
Retail deposits (3)	**22.5**	20.2	21.6	11.4	4.2
Performance Measures					
Profit on average assets	**0.02%**	0.14%	0.02%	(12bps)	(0bps)
Net interest margin	**2.40%**	2.00%	2.34%	40bps	6bps
Cost to income ratio	**63.5%**	58.8%	58.5%	(470 bps)	(500 bps)
Profit per average FTE (£'000s)	**1**	10	1		
FTEs (spot) (4)	**5,481**	5,942	5,725		

(1) Included within significant items: Mar'10: £6m efficiency, quality and service initiatives cost and £2m FSCS levy. Mar'09: £6m efficiency, quality and service initiatives cost and £6m FSCS levy. For the six months to Sep'09: £16m efficiency, quality and service initiatives cost and £11m profit on sale of land and buildings.
(2) Gross loans and acceptances including gross loans and advances to customers, loans designated at fair value through profit and loss and due from customers on acceptances
(3) Retail deposits include current accounts, savings accounts and term deposits and business retail deposits.
(4) 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 2010 was 8,239.

March 2010 v March 2009

Profit after tax at £4 million decreased by £26 million over the March 2009 half, reflecting higher operating expenses and higher impairment losses on credit exposures partially offset by higher total operating income. Over the same period, operating profit before impairment losses totalled £202 million, a decrease of 9.4%.

Average gross loans and acceptances reduced slightly, reflecting subdued demand. Within this, Business lending fell by 2.6%, mortgage growth was 4.2% and exposure to credit card and personal lending fell by 12.5%.

During the half, the Bank continued to support customers by advancing £2.2 billion of new loans, of which £1.3 billion comprised Business lending and £0.8 billion were mortgage advances.

Average Retail Deposits in a highly competitive market grew by 11.4% (£2.3 billion), which is double the industry average growth rate of 5.6% (British Bankers Association – February 2010). iFS average deposit growth was 14% and Retail network growth was 9.6%.

Net interest income increased by £103 million (26.9%). Repricing activity in 2009 resulted in further widening of product margins. The move to more normal market spreads, coupled with lower exposure, resulted in lower funding and liquidity costs, which were partially offset by lower earnings on capital, treasury and other interest income.

March 2010 v March 2009 (continued)

The **net interest margin** increased by 40 basis points and was driven by increases in lending margins but partially offset by deposit margins. The impact of lower funding and liquidity costs were partially offset by lower earnings on capital and lower treasury income.

Non Interest Income decreased by £90 million (57%), as a result of a number of factors. Firstly, income from financial instruments held at fair value, has reduced by £59 million, from a gain of £16 million for the six months to March 2009 to a loss of £43 million for the six months to March 2010. Secondly, there was a £10 million reduction in Wholesale Banking income as a result of the differing economic conditions across the two periods. The comparative period experienced large decreases in base rates as a response to recessionary concerns which resulted in increased volumes of derivative sales. Interest rate markets have been settled in the current period resulting in reduced opportunities for derivative sales.

In addition as a result of new guidance from the regulator on the handling of payment protection insurance (PPI) claims, the Bank, in common with the industry, has seen increased claims activity, principally from the claims management companies. This has driven a further £5 million adverse variance. Lastly, reflecting the current market demand, £5m of lower commission income has been received for business introduced by iFS to Wholesale Banking.

Operating expenses increased by £34 million (10.7%) on the March 2009 half. This has been driven by higher pension costs of £14 million and higher occupancy costs. Investment spend has been maintained.

The **cost to income ratio** at 63.5% increased by 470 basis points over the prior corresponding period primarily as a result of increased operating expenses and lower non interest income.

The **impairment losses on credit exposures** increased by £20 million (11.9%) over the March 2009 half. The significant deterioration in the UK environment in 2009, particularly in the business sector, has driven this increase. The rate of increase, however, is now slowing.

March 2010 v September 2009

The **profit after tax** for the period remained flat on the September 2009 half. This reflects an increase in total operating income and lower impairment losses on credit exposures being offset by higher operating expenses.

Average gross loans and acceptances remained broadly flat as a result of subdued market conditions. Gross new advances of £2.2 billion were offset by lower lending to sectors with a less attractive risk profile.

Average retail deposits grew by 4.2% (£0.9 billion). This was primarily due to the continued momentum in iFS and a robust performance in the Retail network.

Net interest income increased by £24 million (5.2%) due to the effects of repricing activity in the prior year and the further reduction of funding and liquidity costs, partially offset by a reduction in earnings on attributed capital and lower treasury interest income.

The **net interest margin** improved by 6 basis points. This was as a result of more judicious pricing in the prior period and a reduction in funding and liquidity costs, partially offset by a reduction in capital benefit and treasury income.

Non interest income decreased by £51 million (42.9%). This was primarily due to financial instruments held at fair value reducing by £36 million, from a loss of £7 million for the six months to September 2009 to a loss of £43 million for the six months to March 2010. The remaining decrease is driven by lower lending and irregular fee incomes and increased PPI provisions across the industry resulting from the actions of claims management companies.

Operating expenses increased by £12 million (3.5%) on the prior half driven by higher pension costs.

The **cost to income ratio** ratio at 63.5% increased by 500 basis points on the September 2009 half, reflecting lower non interest income and higher operating expenses.

The **impairment losses on credit exposures** decreased by £43 million (18.6%) over the September 2009 half. There was a change in the mix of provisions to a more balanced position between property and trading businesses.

Other Items

Asset Quality

	As at		
	Mar 10	**Mar 09**	**Sep 09**
Specific provision for doubtful debts (£m)	**77**	68	64
Collective provision for doubtful debts (£m)	**290**	267	272
Specific provision on loans at fair value (£m)	**19**	15	26
Collective provision on loans at fair value (£m)	**84**	79	84
90+ DPD assets (£m)	**292**	239	284
Gross impaired assets (£m) (1)	**713**	403	615
90+ DPD plus gross impaired assets to gross loans and acceptances (1) (2)	**3.07%**	1.94%	2.71%
Specific Provision/ gross impaired assets (1)	**13.5%**	20.6%	14.6%
Net write-offs to gross loans and acceptances (annualised) (2)	**0.96%**	0.68%	1.03%
Total provision as a percentage of net write-offs (3)	**150%**	190%	130%
Total provision to gross loans and acceptances (2) (3)	**1.43%**	1.30%	1.34%
Bad and doubtful debt charge to credit risk weighted assets	**1.47%**	1.34%	1.58%

(1) Gross Impaired assets for March 2010 and September 2009 includes £65m and £115m gross impaired fair value assets respectively. Whilst not included above, for March 2009 the value of gross impaired fair value assets was £54m
(2) 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.
(3) Total provision to gross loans and acceptances includes the credit risk adjustments on fair value loans

Asset quality measures continue to reflect the impact of the current UK operating environment. However, key measures have shown signs of stabilising. During the reporting period bad and doubtful debts were lower than those in the September half and the flow of new files into the business recovery area has decreased in terms of both value and volume. The market, although no longer in economic recession, remains challenging and this has resulted in a further weakening of some key asset quality measures. The relationship-based model and considerable proactive initiatives undertaken by management continue to help to mitigate the impact.

The business book continues to generate the greatest proportion of provisions and losses and, while the level of commercial property losses has slowed, trading businesses' losses have increased, as the SME sector is affected by the prolonged slowdown. Overall, business losses in this half were lower than in the half year ended September 2009. Retail product provisions have been more stable, with the low interest rate environment assisting affordability, particularly for mortgages where losses remain low.

As a whole, the portfolio remains well secured and diversified, both geographically and by lending type. The credit rating of new lending is materially better than that of the existing portfolio.

Lending on commercial property has now fallen 10% from £7.7 billion to £7.0 billion as at the end of March. This represents 21% of gross loans and acceptances (38% of the business book). Of this, approximately 78% is investment lending and 22% development lending. The largest commercial property loan represents circa 1.2% of the commercial property portfolio or 0.5% of the business lending portfolio. The portfolio is broadly spread around the UK and not concentrated in any one geographical region.

The trading business portfolio remains well diversified by sector, geography and customer. The sector has experienced more defaults through the first half of the year as the prolonged challenge of the economic environment affects customers. However, through our robust underwriting, early engagement and proactive responses, the Bank has confidence in the quality of its trading business portfolio.

Asset Quality (continued)

The residential mortgages portfolio has proved resilient, with 90+ days past due arrears remaining at 0.8% of mortgage balances. This level of mortgage arrears continues to be significantly below the market average, which currently stands at 2.38% (December 2009), as measured by the Council of Mortgage Lenders (arrears on mortgages, by number of months on arrears based on the number of mortgages). The mortgage book does not include any low doc (self certified) or sub prime lending. The average Loan to Value ratio (LTV) of the mortgage book has fallen slightly from 54% in September 2009 to 52% on an indexed basis. 74% of mortgages written in the half had a loan to value ratio below 80%. Under 8% of mortgages have a loan to value ratio of between 90% to 95% which reflects the Bank’s desire to support first time buyers, following robust assessment of affordability.

Repossessions continue to be minimised in line with the strategy of supporting customers through this difficult period. The number of residential properties repossessed in the half was 41, compared to 10,200 industry-wide (Council of Mortgage Lenders for the quarter to December 2009). At the end of the period, a stock of 62 properties was held and valued at £8 million.

As a result of the strategy to reshape the balance sheet towards secured lending over the last four years, the unsecured element of the portfolio has been reduced. At March 2010 the unsecured element of the portfolio was 6%, in line with September 2009. Delinquency rates on this portfolio have remained stable.

The rate of increase in business 90 days past due balances has slowed in the first half of 2010, with trading businesses now dominating over commercial property. The increase in gross impaired asset balances continues to reflect the impact of the ongoing economic and market conditions, although the rate of growth has slowed compared to last year. Commercial property continues to dominate gross impaired assets and whilst there has been some stabilisation in property prices, the market for disposing of these assets is still operating below normal levels. This has resulted in assets remaining in the impaired asset category longer than has been previously experienced, with some 58% of the current impaired balances being in this category prior to the start of the current financial year.

The management initiatives that were undertaken in response to the operating environment included increasing resourcing both in the business recovery area and the retail collections team, mobilising a Portfolio Assurance Team within iFS to work closely with customers on mitigation strategies, and to identify higher risk accounts and sectors for closer review and monitoring. All of these initiatives contributed to mitigating the impact on asset quality measures during the half. However, asset quality measures remain under close management scrutiny to ensure that the actions in place remain appropriate.

Capital & Funding Position

Clydesdale Bank PLC Consolidated Diversity of Funding

Clydesdale Bank PLC diversity of funding	As at Mar 10	Sep 09	Mar 09
Retail deposits	**61%**	59%	59%
External short term	**16%**	15%	14%
Subordinated debt	**3%**	3%	3%
Structured finance	**3%**	3%	3%
Securitisation	**5%**	6%	7%
Parent company	**6%**	6%	6%
Medium term notes	**6%**	8%	8%
CB PLC Funding	**100%**	100%	100%

The Bank's position as a member of the NAB Group continued to be an asset as Fitch re-affirmed the Bank's long standing AA- credit rating, and Moody's and S&P remained at A1 and A+ respectively, amid downgrades to the entire UK market.

Clydesdale Bank continued to improve capital ratios over the year and, as at 31 March 2010, the Tier 1 ratio improved to 8.8% from 8.2% as at September 2009. In December 2009, an additional £160m of ordinary share capital was injected into Clydesdale Bank PLC by National Australia Group Europe. Capital requirements are kept under regular review and are subject to regulatory scrutiny.

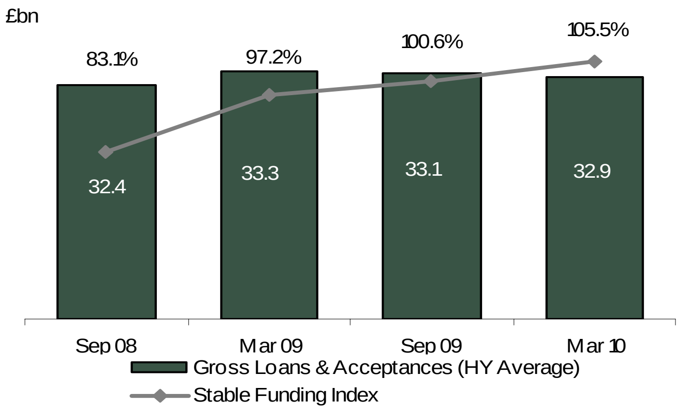
The portfolio of liquid assets totalled £10.0 billion as at 31 March 2010, increasing from £8.7bn as at September 2009. This portfolio includes UK Government gilts, Bank of England Reserve Account, treasury bills, note cover required to cover Clydesdale's notes in circulation and lending to other banks. Clydesdale Bank's diverse funding mix of short and long-term wholesale funding, parent company funding and securitisation and Covered Bond has created this strong liquidity position.

The Bank restructured its EUR9 billion Covered Bond programme in November 2009 to a pass-through structure which enabled the two issuances under the programme to retain AAA rating from all three rating agencies.

As existing wholesale term funding matures and is replaced with more expensive new issuance short-term and medium term note funding, the overall margin paid on wholesale funding is increasing. In line with the market, this has been partially offset by the fall in liquidity costs as the spread between UK base rate and LIBOR decreases.

The Bank's strong performance in attracting retail deposits has continued and positions the Bank well to grow without increasing the refinancing risks typically associated with wholesale funding.

UK Stable Funding Index



The Stable Funding Index (SFI) comprises of 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. CFI is a measure of customer deposits divided by Core Assets.

Investment Spend

The Bank's investment cash spend for the half was £44m (£13m operating expense) across the regulatory and compliance, efficiency and simplification and revenue generation categories. This compares to a total cash spend of £39 million (£13 million operating expenses) in the prior corresponding period

Projects undertaken that will generate revenue include the Debit Card Transformation roll out of the new 16 digit Maestro debit card in October 2010, which provides customers with greater world-wide card acceptance, further development of the Business Internet Banking programmes, and the roll out of the Business Lending proposition. The first release went live in September 2009 when a platform for completing the business loan application process was launched. Later releases will concentrate on increasing process capability.

Projects focusing on efficiency and simplification include the launch of the Unified Communications Platform, which will implement a Sharepoint networking tool and a corporate intranet tool. In addition, the Document Distribution and Digitisation Project which will review and improve the efficiency of the distribution networks and data capture. Projects in the regulatory and compliance category also continued in the half and included activities in support of the Payment Services Directive and Consumer Credit Directives.

Distribution

As at 31 March 2010, the Bank's distribution network comprised 72 Financial Solutions Centres and 339 retail branches.

In Business Banking, iFS continued to demonstrate sound portfolio management, completing a number of detailed sector reviews and implementing a range of initiatives to support our customers through difficult trading conditions. Increasing business confidence has promoted new business activity and 150 additional business bankers (specialising in trading businesses) are being recruited to capitalise on these opportunities.

The Retail business continues to deliver a robust performance in good quality mortgages, with margins remaining attractive in the current environment. The first anniversary of the successful AXA Wealth Management agreement was marked by the recent launch of the innovative "Advantage Combination Plan". As in previous years, the focus on delivering operational efficiencies supports the business in its aim to optimise income and reduce costs. Finally, earlier this year the new role of Director, Small Business Banking, was created and this important appointment demonstrates an ongoing commitment to the business communities of Clydesdale and Yorkshire Bank. It also highlights the growth opportunities in this segment.

Clydesdale Bank PLC to NAB UK Banking Reconciliation

The NAB Group publishes segmental financial results of which UK Banking forms one segment. The 2010 half year results were published by NAB on 6 May 2010. The segmentation is based on geographical lines, the exception being the Wholesale Banking business which is treated as a global business segment in its own right. Certain lines of the Wholesale Banking business are written on the Clydesdale Bank PLC balance sheet and therefore this business is not included in the UK Banking results. The UK Wealth Management business, which operates through separate legal entities, is also included in the UK Banking results but is not part of Clydesdale Bank PLC. Additionally, the fair value and hedge ineffectiveness result is excluded in determining UK Banking cash earnings. The table below sets out the reconciliation of the income statements of the two views.

Six months ended 31 March 2010

	CB PLC £m	Add: Wealth Management £m	Less: Wholesale Banking £m	Fair value and hedge ineffectiveness £m	Other * £m	NAB UK Banking £m
Profit/(loss) on ordinary activities before tax/Cash earnings before tax	6	12	(11)	54	20	81
Profit/(loss) attributable to shareholders/Cash earnings after tax	4	10	(8)	38	17	61
Total assets	43,470					44,082

* Other includes Efficiency, Quality and Service initiatives costs and certain other Clydesdale Bank PLC costs absorbed by NAB at Group level and not included in the UK Banking result.

Lynne Peacock

Lynne Peacock
Chief Executive Officer
10 June 2010

CLYDESDALE BANK PLC
Statement of Directors' Reponsibilities

The Directors confirm that this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) as adopted by the European Union. The interim report includes condensed consolidated Financial Statements and a fair review of the important events that have occurred in the first six months of the financial year and their impact on the Financial Statements, with a description of the principal risks and uncertainties for the remaining six months.

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

The Bank's strategy is to maintain a conservative approach to liquidity and funding which is demonstrated through improvements to the Tier 1 and Total Capital ratios, an increase in the liquid assets portfolio and maintaining a diverse funding base.

Michael Webber.

Michael Webber
Secretary
10 June 2010

ERNST & YOUNG

CLYDESDALE BANK PLC

Independent Review Report to the members of Clydesdale Bank PLC

Introduction

We have been engaged by Clydesdale Bank PLC to review the condensed set of Financial Statements in the half-yearly financial report for the six months ended 31 March 2010 which comprises Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Change in Equity, Consolidated Cash Flow Statement, and the related explanatory notes 1 to 36. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

As disclosed in note 1, the annual Financial Statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of Financial Statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of Financial Statements in the half-yearly financial report based on our review.

Scope of our Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 (UK and Ireland) 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 condensed set of Financial Statements in the half-yearly financial report for the six months ended 31 March 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP

Ernst & Young LLP
London
10 June 2010

1 The maintenance and integrity of the Clydesdale Bank PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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CLYDESDALE BANK PLC
Interim Consolidated Income Statement
for the 6 months ended 31 March 2010

	Note	**6 months to 31 Mar 10 (unaudited) £m**	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 2009 (audited) £m
Interest receivable and similar income		**698**	955	1,722
Interest expense and similar charges		**(212)**	(572)	(877)
Net interest income	4	**486**	383	845
Gains less losses on financial instruments at fair value		**(43)**	16	9
Other operating income		**111**	142	268
Non interest income	5	**68**	158	277
Total operating income		**554**	541	1,122
Personnel expenses		**(123)**	(105)	(216)
Depreciation expense		**(11)**	(12)	(23)
Other operating expenses		**(218)**	(201)	(419)
Total operating expenses before impairment losses	6	**(352)**	(318)	(658)
Operating profit before impairment losses		**202**	223	464
Impairment losses on credit exposures	16	**(188)**	(168)	(399)
Group operating profit		**14**	55	65
Efficiency, quality and service initiatives	6	**(6)**	(6)	(22)
Profit on sale of land and buildings		**-**	-	11
Special Financial Services Compensation Scheme levy		**(2)**	(6)	(6)
Profit on ordinary activities before tax		**6**	43	48
Tax expense	7	**(2)**	(13)	(14)
Profit for the period attributable to the equity holders of the parent		**4**	30	34

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

CLYDESDALE BANK PLC
Interim Consolidated Statement of Comprehensive Income
for the 6 months ended 31 March 2010

	Note	**6 months to 31 Mar 10 (unaudited) £m**	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Profit for the period		**4**	30	34
Other comprehensive income/(losses)				
Revaluation of land and buildings		**-**	-	(6)
Taxation	7	**-**	-	2
Change in available for sale investments reserve		**-**	2	19
Taxation	7	**-**	-	(5)
Change in cash flow hedge reserve	8	**-**	157	128
Taxation	7	**-**	(44)	(36)
Actuarial losses on defined benefit pension plans		**(70)**	(391)	(591)
Taxation	7	**19**	109	165
Taxation on employee share compensation	7	**-**	-	2
Other comprehensive losses net of tax		**(51)**	(167)	(322)
Total comprehensive losses for the period net of tax		**(47)**	(137)	(288)
Attributable to:				
Equity holders of the parent		**(47)**	(137)	(288)

CLYDESDALE BANK PLC
Interim Consolidated Balance Sheet
at 31 March 2010

	Note	**31 Mar 10 (unaudited) £m**	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Assets				
Cash and balances with central banks	10	**4,088**	2,971	2,713
Due from other banks	11	**12**	1,755	340
Derivative financial assets	12	**851**	1,452	942
Other financial assets at fair value	13	**5,520**	6,250	5,983
Investments	14	**1,670**	1,335	2,180
Loans and advances to customers	15	**27,001**	27,403	27,147
Due from customers on acceptances		**6**	3	2
Investments in controlled entities and associates		**2**	2	2
Property, plant and equipment	18	**159**	202	167
Investment properties	19	**37**	11	33
Property Inventory	20	**29**	12	25
Current taxes		**16**	-	5
Deferred tax assets		**157**	112	147
Due from related entities	32	**3,046**	380	1,971
Other assets		**876**	1,008	713
Total assets		**43,470**	42,896	42,370
Liabilities and Equity				
Due to other banks	21	**1,397**	1,886	1,920
Derivative financial liabilities	12	**106**	144	113
Other financial liabilities at fair value	13	**705**	1,443	597
Due to customers	22	**28,261**	24,888	26,656
Liabilities on acceptances		**6**	3	2
Current taxes		**-**	52	-
Deferred tax liabilities		**43**	55	50
Provisions	23	**16**	13	14
Defined benefit pension liabilities	30	**360**	151	320
Bonds and notes	24	**4,691**	6,597	5,287
Due to related entities	32	**3,486**	3,302	3,321
Other liabilities		**2,034**	1,947	1,840
Total liabilities		**41,105**	40,481	40,120
Equity (parent entity interest)				
Share capital	25	**792**	632	632
Share premium account	26	**243**	243	243
Share option reserve	26	**10**	8	2
Asset revaluation reserve	26	**2**	7	2
Available for sale investments reserve	26	**14**	2	14
Merger reserve	26	**338**	338	338
Cash flow hedge reserve	26	**103**	124	103
Retained earnings	26	**863**	1,061	916
Total equity		**2,365**	2,415	2,250
Total liabilities and equity		**43,470**	42,896	42,370

These financial statements were approved by the Board of Directors on 10 June 2010 and were signed on its behalf by:

Sir Malcolm Williamson
Director

Lynne Peacock
Director

CLYDESDALE BANK PLC
Interim Consolidated Statement of Changes in Equity
at 31 March 2010

	Notes	Share Capital £m	Share premium account £m	Share option reserve £m	Asset revaluation reserve £m	Available for sale investments reserve £m	Merger reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total Equity £m
At 1 October 2008		232	243	20	7	-	338	11	1,313	**2,164**
Profit for the period		-	-	-	-	-	-	-	30	**30**
Other comprehensive income/(losses)		-	-	-	-	2	-	113	(282)	**(167)**
Total comprehensive income/(losses) for the period		-	-	-	-	2	-	113	(252)	**(137)**
Shares issued - ordinary		300	-	-	-	-	-	-	-	**300**
Shares issued - preference		100	-	-	-	-	-	-	-	**100**
Share options granted		-	-	8	-	-	-	-	-	**8**
Share options settled		-	-	(20)	-	-	-	-	-	**(20)**
At 31 March 2009 (unaudited)		**632**	**243**	**8**	**7**	**2**	**338**	**124**	**1,061**	**2,415**
Profit for the period		-	-	-	-	-	-	-	4	**4**
Other comprehensive income/(losses)		-	-	2	(5)	12	-	(21)	(143)	**(155)**
Total comprehensive income/(losses) for the period		-	-	2	(5)	12	-	(21)	(139)	**(151)**
Dividends paid		-	-	-	-	-	-	-	(6)	**(6)**
Share options granted		-	-	7	-	-	-	-	-	**7**
Share options settled		-	-	(15)	-	-	-	-	-	**(15)**
At 30 September 2009 (audited)[1]		**632**	**243**	**2**	**2**	**14**	**338**	**103**	**916**	**2,250**
Profit for the period		-	-	-	-	-	-	-	4	**4**
Other comprehensive losses		-	-	-	-	-	-	-	(51)	**(51)**
Total comprehensive losses for the period		-	-	-	-	-	-	-	(47)	**(47)**
Dividends paid		-	-	-	-	-	-	-	(6)	**(6)**
Shares issued - ordinary		160	-	-	-	-	-	-	-	**160**
Share options granted		-	-	8	-	-	-	-	-	**8**
At 31 March 2010 (unaudited)	25, 26	**792**	**243**	**10**	**2**	**14**	**338**	**103**	**863**	**2,365**

[1] The closing balances at 30 September 2009 have been audited, however the individual movements in the period are unaudited.

CLYDESDALE BANK PLC
Interim Consolidated Cash Flow Statement
for the 6 months ended 31 March 2010

	Note	**6 months to 31 Mar 10 (unaudited) £m**	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Operating Activities				
Profit on ordinary activities before tax		**6**	43	48
Adjustments for:				
Non cash or non operating items included in profit before tax	31	**(350)**	(586)	(1,032)
Changes in operating assets	31	**1,369**	(4,335)	(2,887)
Changes in operating liabilities	31	**1,305**	1,660	2,719
Interest received		**485**	1,141	2,017
Interest paid		**(85)**	(531)	(758)
Tax received		**-**	28	13
Net cash provided by/(used in) operating activities		**2,730**	(2,580)	120
Cash flows from investing activities				
Interest received		**17**	25	45
Purchase of available for sale investments		**-**	-	(1)
Purchase of property, plant and equipment (including investment property and property inventory)		**(13)**	(40)	(81)
Proceeds from sale of property, plant and equipment (including investment property and property inventory)		**5**	26	66
Proceeds from sale of subsidiary		**-**	-	2
Sale of investments		**-**	-	6
Net cash provided by investing activities		**9**	11	37
Cash flows from financing activities				
Interest paid		**(59)**	(209)	(319)
Proceeds from ordinary shares issued	25	**160**	300	300
Proceeds from redeemable preference shares issued	25	**-**	100	100
Net (Redemption)/Issue of bonds and notes		**(596)**	1,146	(164)
Share options settled		**-**	(20)	(35)
Net (increase)/decrease in amount due from related entities		**(1,075)**	773	(818)
Net increase/(decrease) in amount due to related entities		**263**	(1,824)	(1,792)
Dividends paid	9	**(6)**	-	(6)
Net cash (used in)/provided by financing activities		**(1,313)**	266	(2,734)
Net increase/(decrease) in cash and cash equivalents		**1,426**	(2,303)	(2,577)
Cash and cash equivalents at beginning of the period		**2,613**	5,190	5,190
Cash and cash equivalents at end of the period	31	**4,039**	2,887	2,613

1. Basis of preparation

Clydesdale Bank PLC is incorporated in the United Kingdom and registered in Scotland.

The ultimate parent undertaking, and ultimate controlling party is 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 of the Bank.

The Interim Condensed Consolidated Financial Statements have been prepared on a going concern basis in accordance with IAS 34 as issued by the International Accounting Standards Boards (IASB) and adopted by the European Union.

The accounting policies adopted in the preparation of the interim condensed consolidated Financial Statements are consistent with those followed in the preparation of the Group's Annual Report and Consolidated Financial Statements for the year ended 30 September 2009 except as detailed in note 2.

The information in the Interim Condensed Consolidated 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 2009.

The information in these Interim Condensed Consolidated Financial Statements does not constitute statutory accounts within the meaning of Section 396 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2009, which contained an unqualified audit report under Section 495 of the Act and which did not contain any statements under Section 498 of the Act, have been delivered to the Registrar of Companies in accordance with Section 446 of the Act.

Going Concern
The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 4 to 13. In addition the 30 September 2009 Annual Report & Consolidated Financial Statements note 43 includes the Bank's objectives, policies and processes for managing its capital and note 42 to the Financial Statements includes the Bank's financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Bank has access to financial resources, the support of its ultimate parent NAB and a growing customer deposit base. As a consequence, the Directors believe that the Bank is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Bank and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2. Accounting policies

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 2009.

2. Accounting policies (continued)

The Group adopted the following significant standards from 1 October 2009 none of which have had a material impact:

IFRS 2 Share-based Payments - Vesting Conditions and Cancellations
The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 8 Operating Segments
This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments are business banking and retail banking which are different to those previously identified under IAS14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 3, including revised comparative information.

IAS 1 Revised Presentation of Financial Statements
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The presentation of the Interim Condensed Consolidated Financial Statements reflects the disclosure required by IAS 1: Presentation of Financial Statements. Where necessary, comparative information has been reclassified or expanded from the previously reported Interim Condensed Consolidated Financial Statements to take into account any presentational changes made in the Report and Accounts 2009.

Property Inventory
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

At the balance sheet date the IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following pronouncements which are not effective for this financial year. The Group does not anticipate that their adoption will have a material impact on the Group's financial statements in the period of initial application.

Standards		***Effective Date: Annual periods beginning on or after***
IFRS 1	Amendment - Additional Exemptions for First-time Adopters (i)	1 January 2010
IFRS 1	Amendment - Limited Exemptions from Comparitive IFRS 7 Disclosures for First-time Adopters (i)	1 July 2010
IFRS 2	Amendment - Group Cash-settled Share-based Payment Transactions	1 January 2010
IFRS 9	Financial Instruments (i)	1 January 2013
IAS 24	Revised - Related Party Disclosures (i)	1 January 2011
IAS 32	Classification of Rights Issues	1 February 2010
Interpretations		
IFRIC 14	Amendment - Prepayment of a Minimum Funding Requirement (i)	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (i)	1 July 2010

(i) This has not been endorsed by the European Union.

3. Segment information

The Group's operating and reportable segments are business units engaged in providing different products or services. The businesses are managed separately as each requires a strategy focused on the specific services provided for the economic, competitive and regulatory environment in which it operates.

The Group’s business is organised into two principal operating segments: Business Banking (including iFS financial solutions centres) and Retail Banking (consisting of the retail branch networks and small business customers). The Group's central functions are Finance, Risk, Strategy, Legal, Funding and Treasury, Human Resources, and other unallocated items which are not considered to be separate reportable operating segments.

Business Banking

Business Banking comprises the Integrated Financial Solutions (iFS) business segment which provides a range of banking products and services including loans and finance, day to day banking, international services, treasury solutions and corporate and structured finance. This segment reflects how management is provided with financial information to assess its performance and the allocation of resources.

Retail Banking

Retail Banking comprises the Integrated High Street and Wealth Management business segments which provides a range of banking products and services including credit cards, current accounts, mortgages, overdrafts, personal loans, savings accounts, insurances and financial planning. This segment reflects how management is provided with financial information to assess its performance and the allocation of resources.

The accounting policies of the operating segments are consistent with those described in note 2 to these financial statements.

The Group evaluates each operating segments' performance on the basis of cash earnings. Cash earnings represents the net profit attributable to members of the Company, adjusted for certain non-cash items, primarily fair value adjustments and efficiency initiative costs, distributions, and significant items. The segment information provided below is prepared on an ongoing basis, such that operations that will not form part of the continuing Group are excluded from all periods presented.

Revenues, expenses and tax directly associated with each operating segment are included in determining their result. Transactions between operating segments are based on agreed recharges between segments operating within the entity and are at arm’s length.

Reporting changes during the current period

The application of IFRS 8 has resulted in changes to the reporting of segment information compared to the results reported in the 2009 Annual Report and Consolidated Financial Statements.

The main change is that the Financial Services UK and nabCapital segments have been combined and subsequently reallocated into Retail and Business Banking.

Major Customers

Revenues from no one single customer amount to greater than 10% of the Group's revenues.

The following tables provide revenue and profit information regarding the Group's operating segments.

Operating Segments

6 months ended 31 March 2010 (unaudited)	**Business**	**Retail**	**Central Functions**	**UK Banking**	**Other Segments**	**Eliminations / Adjustments**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cash earnings	**52**	**107**	**(98)**	**61**	**(13)**	**(2)**	**46**
Net interest income	**197**	**183**	**110**	**490**	**(6)**	**2**	**486**
Other operating income	**73**	**69**	**(15)**	**127**	**(5)**	**(11)**	**111**
Total assets (HTD Avg)	**24,159**	**7,544**	**12,789**	**44,492**	**(718)**	**-**	**43,774**

3. Segment information (continued)

Operating Segments **6 months ended 31 March 2009** (unaudited)	**Business** **£m**	**Retail** **£m**	**Central Functions** **£m**	**UK Banking** **£m**	**Other Segments** **£m**	**Eliminations / Adjustments** **£m**	**Total** **£m**
Cash earnings	(4)	104	(51)	49	(22)	4	31
Net interest income	115	165	128	408	(37)	12	383
Other operating income	77	74	3	154	(1)	(11)	142
Total assets (HTD Avg)	25,379	6,602	10,121	42,102	(77)	-	42,025

Operating Segments **12 months ended 30 September 2009** (audited)	**Business** **£m**	**Retail** **£m**	**Central Functions** **£m**	**UK Banking** **£m**	**Other Segments** **£m**	**Eliminations / Adjustments** **£m**	**Total** **£m**
Cash earnings	2	204	(128)	78	(24)	4	58
Net interest income	297	340	245	882	(49)	12	845
Other operating income	154	145	17	316	(17)	(31)	268
Total assets (YTD Avg)	24,986	6,943	10,685	42,614	(502)	-	42,112

Reconciliations between segment and statutory results are as follows:

The tables below reconcile the information in the operating segment tables on the previous page, which has been prepared on an on-going cash earnings basis, to the relevant statutory information presented in the financial report.

	6 months to 31 Mar 10 (unaudited) **£m**	6 months to 31 Mar 09 (unaudited) £m	12 months 30 Sept 09 (audited) £m
Cash earnings			
Cash earnings before tax	**65**	42	79
Tax expense	**(19)**	(11)	(21)
Cash earnings after tax	**46**	31	58
Non-cash earnings items (after tax):			
Fair value and hedge ineffectiveness	**(38)**	3	(8)
Efficiency, quality and service initiative costs	**(4)**	(4)	(16)
Profit attributable to shareholders	**4**	30	34

Geographical segments

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

4. Net interest income

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Interest income			
Loans and advances to other banks	**11**	45	94
Investments	**12**	14	30
Loans and advances to customers	**590**	745	1,359
Due from related entities	**5**	11	15
Other interest income	**1**	-	-
	619	815	1,498
Financial assets at fair value through profit or loss	**79**	140	224
Total interest income	**698**	955	1,722
Interest expense			
Due to other banks	**8**	48	61
Due to customers	**144**	312	494
Bonds and notes	**32**	120	195
Due to related entities	**27**	89	124
	211	569	874
Financial liabilities at fair value through profit or loss	**1**	3	3
Total interest expense	**212**	572	877
Net interest income	**486**	383	845

Included within interest income is a net gain of £nil at 31 March 2010 (September 09: net gain of £38m and March 2009: net gain of £14m) on the purchase by Clydesdale Bank PLC of notes issued by Lanark Master Trust (the Bank's own securitisation vehicle - refer note 17).

5. Non interest income

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Gains less losses on financial instruments at fair value			
Foreign exchange derivatives	**10**	13	23
Interest rate derivatives	**(34)**	(330)	(248)
Other derivatives	**-**	4	4
Movement in fair value of assets (see note below)	**(24)**	338	245
Ineffectiveness arising from fair value hedges	**3**	(12)	2
Ineffectiveness arising from cash flow hedges	**2**	3	(17)
	(43)	16	9
Other operating income			
Fee and commission	**107**	119	239
Net fair value movement on investment properties	**3**	-	-
Loss on disposal of investment properties	**(1)**	-	-
Other income	**2**	23	29
	111	142	268
Total non interest income	**68**	158	277

ATM disloyalty fees payable of £22m at September 2009 and £11m at March 2009 were previously disclosed in Other Income and have now been reallocated to Fees and commission.

5. Non interest income (continued)

Certain financial assets are designated at inception as fair value through profit or loss. These assets are predominantly fixed interest rate loans which are individually hedged and are fair valued with the movements being taken through the income statement.
As interest rates fall, the carrying value of the loan increases. There will be an offsetting movement in the underlying derivatives. Similarly, as interest rates increase, the carrying value of the loan decreases with an offsetting movement in the underlying derivatives. Additionally the fair value movement on the fixed rate loans includes a credit risk adjustment and credit losses.

6. Operating expenses

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Personnel expenses			
Salaries, wages and non cash benefits	**85**	83	169
Related personnel expenses	**8**	8	17
Defined contribution pension expense	**4**	2	6
Defined benefit pension expense	**14**	-	1
Equity-based compensation	**8**	8	15
Other personnel expenses	**4**	4	8
	123	105	216
Depreciation expense			
Depreciation of property, plant & equipment	**11**	12	23
Other operating expenses			
Operating lease rental	**22**	15	36
Other occupancy expenses	**26**	17	33
Related entity recharges	**125**	126	249
Other operating expenses	**45**	43	101
	218	201	419
Total operating expenses	**352**	318	658

Efficiency, quality and service (EQS) initiative costs
During the year to 30 September 2009, a number of restructuring initiatives were developed to provide sustainable long term reductions to the cost base. These initiatives were approved for funding under the Group EQS Scheme.

The following expenses have been disclosed as a separate line item on the income statement.

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Other personnel expenses	**3**	-	12
Other occupancy expenses	**-**	-	3
Other expense	**3**	6	7
	6	6	22

The September 2009 costs mainly cover the exit costs of approximately 385 FTE, programme costs and contract convergence costs.

7. Tax expense

a) Analysis of charge in the period

Tax charged in the income statement

The charge for taxation comprises:	**6 months to 31 Mar 10 (unaudited) £m**	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Current tax			
United Kingdom Corporation Tax at 28% (Sept 2009: 28%)			
- current year	**(6)**	1	(12)
- prior year	**(3)**	-	-
Other overseas taxation	**4**	8	16
Total current tax	**(5)**	9	4
Deferred tax			
Origination and reversal of temporary differences			
- current year	**7**	4	11
- prior year	**-**	-	(1)
Total deferred income tax	**7**	4	10
Income tax expense reported in Income statement	**2**	13	14

Tax relating to items charged or credited to equity

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Current tax			
Available for sale investments	**-**	-	5
Release of transitional deferred tax	**(3)**	(4)	(8)
Deferred tax asset			
Actuarial losses on defined benefit pension schemes	**(19)**	(109)	(165)
Employee share compensation	**-**	-	(2)
Release of transitional deferred tax	**3**	4	8
Deferred tax liability			
Net gain on revaluation of cash flow hedges	**-**	44	36
Asset revaluation reserve	**-**	-	(2)
Tax credit in the Statement of recognised income and expense	**(19)**	(65)	(128)

7. 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 (28%). The factors are explained below:

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Profit on ordinary activities before tax	**6**	43	48
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 28% (Sept 2009: 28%)	**2**	12	13
Effects of:			
Expenses not deductible for tax purposes	**1**	1	5
Amounts not subject to UK Tax	**-**	-	(5)
Other	**2**	-	2
Adjustments to tax charge in respect of previous periods	**(3)**	-	(1)
Total income tax expense for period	**2**	13	14

8. Components of other comprehensive income

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Cash flow hedges			
(Losses)/gains during the year	**(2)**	110	109
Transfer of gains/(losses) to the income statement	**2**	3	(17)
	-	113	92
Available for sale			
Gains during the year	**-**	2	8
Transfer of gains to the income statement	**-**	-	4
	-	2	12

9. Dividends paid

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
2009 preference dividends paid - 12% per annum payable semi-annually (6p per share)	**6**	-	6

10. Cash and balances with central banks

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Cash assets	**957**	75	82
Balances with central banks	**3,131**	2,896	2,631
	4,088	2,971	2,713

Balances with central banks include mandatory deposits of £28m (September 2009: £27m and March 2009: £28m) which are not available for use in the Group's day to day business.

11. Due from other banks

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Transaction balances with other banks	**12**	16	16
Placements with other banks	**-**	1,739	324
	12	1,755	340

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Senior investment grade	**12**	1,745	340
Investment grade	**-**	10	-
	12	1,755	340

12. Derivative financial instruments

Use of derivatives

The Group uses derivatives to hedge its balance sheet. The Group's principal objective in holding or issuing derivatives is asset and liability management.

The operations of the Group are subject to the risk of interest rate fluctuations, to the extent that there is a difference between the amount of the interest-earning assets and the amount of interest-bearing liabilities that mature or reprice in specified periods. One of the objectives of asset and liability management is to protect levels of net interest income, while maintaining acceptable levels of liquidity to meet the Group obligations as they fall due.

To achieve these objectives, the Group uses a combination of derivative financial instruments, including foreign exchange forward rate agreements, swaps, options, caps, floors, and other contingent contracts. The hedges transacted within the Group are entered into with NAB. Provided IAS 39 cash flow hedging criteria are met, the fair value changes on the related hedging instruments that are deemed effective are deferred in the cash flow reserve and transferred to the income statement at the time the hedged item affects income. Hedge effectiveness is monitored, and any hedge ineffectiveness is recognised in the income statement immediately.

Subsequent to initial designation, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The movement in fair value of the hedged item attributable to the hedged risk is made as an adjustment to the carrying value of the hedged asset or liability.

The Group does not have a trading book. However, certain derivatives do not meet the IAS39 hedging criteria and are accounted for as trading derivatives.

Derivatives

A derivative financial instrument is a contract or agreement whose value is related to the value of an underlying instrument, reference rate or index. Derivatives are usually separated into three generic classes: forward and futures contracts, options, and swaps, although individual products may combine the features of more than one class. The principal features of each of these classes, for derivatives that the Group enters into, are summarised below.

Forward and futures contracts

Forward and futures contracts are contracts for delayed delivery of a specific underlying asset in which the seller agrees to settle at a specified future date at a specified price or yield. A forward rate agreement is a confirmed agreement between two parties to exchange an interest rate differential on a notional principal amount at a given future date.

Options

Options are contracts that allow the holder of the option the right, but not the obligation, to purchase or sell a financial instrument at a specified price and within a specified period. Interest rate caps and floors are option contracts and are included as such in the disclosures below. They require the seller to pay the purchaser at specified future dates the amount, if any, by which a specified market interest rate exceeds the fixed cap rate or falls below the fixed floor rate, applied to the notional principal amount.

Swaps

Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying notional principal amount. A vanilla cross currency swap takes the form of an agreement to exchange one currency for another and to re-exchange the currencies at the maturity of the swap, using the same exchange rate, with the exchange of interest payments throughout the swap period. A balance guarantee cross currency swap protects the Group if securitisation amortisation payment frequencies change.

Other financial instruments

In addition to derivatives, various financial instruments, for example loans and advances, deposits, debt securities, trade debtors and creditors and accruals, arise directly from the Group's operations.

12. Derivative financial instruments (continued)

Risk Management

Derivative contracts are disclosed as follows:

	Fair Value		
	Assets	Assets	Assets
	31 Mar 10	31 Mar 09	30 Sept 09
	(unaudited)	(unaudited)	(audited)
	£m	£m	£m
Derivative financial assets	**851**	1,452	942
Other derivative financial assets at fair value through profit or loss (note 13)	**316**	505	271
Derivative financial assets at fair value - related entities (note 13)	**134**	520	183
	1,301	2,477	1,396

	Fair Value		
	Liabilities	Liabilities	Liabilities
	31 Mar 10	31 Mar 09	30 Sept 09
	(unaudited)	(unaudited)	(audited)
	£m	£m	£m
Derivative financial liabilities	**106**	144	113
Other derivative financial liabilities at fair value through profit or loss (note 13)	**36**	507	1
Derivative financial liabilities at fair value - related entities (note 13)	**610**	856	535
	752	1,507	649

Certain derivative financial assets and liabilities have been booked in consolidated special purpose vehicles.

Derivative financial assets and liabilities held at fair value through profit or loss (FVTPL) include the hedges for the Group Securitisation programme, Medium Term Note ("MTNs") programmes and Cash flow hedges.

The carrying value of the currency liabilities issued through securitisation and MTN programmes fluctuates as a result of foreign exchange movements. There is a corresponding movement in the value of the hedging derivative.

The carrying value of the Cash flow hedge derivatives increases as LIBOR yield curves used to discount the future cashflow reduce.

Derivative financial assets and liabilities that cannot be held in a hedge relationship are deemed to be held for trading.

12. Derivative financial instruments (continued)

Cash flow hedges

Included in the derivative contracts are the following cash flow hedge derivatives:

	Contract Amount 31 Mar 10 (unaudited) £m	**Fair Value Assets 31 Mar 10 (unaudited) £m**	**Fair Value Liabilities 31 Mar 10 (unaudited) £m**	Contract Amount 30 Sept 09 (audited) £m	Fair Value Assets 30 Sept 09 (audited) £m	Fair Value Liabilities 30 Sept 09 (audited) £m
Interest rate-related contracts	**14,225**	**251**	**99**	15,420	259	113

	Contract Amount 31 Mar 09 (unaudited) £m	Fair Value Assets 31 Mar 09 (unaudited) £m	Fair Value Liabilities 31 Mar 09 (unaudited) £m
Interest rate-related contracts	15,765	342	144

The Group macro hedges its interest rate exposure using cash flow hedges. These are vanilla fixed rate interest rate swaps for which the Group has the following commitments in the time bands noted:

Nominal values per time period	**31 Mar 10 (unaudited) £m**	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
0 to 6 months	**3,963**	4,320	6,070
6 to 12 months	**3,895**	3,870	2,713
1 to 2 years	**4,027**	3,658	4,077
2 to 5 years	**2,340**	3,917	2,560
	14,225	15,765	15,420

The Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

	Forecast receivable cash flows		
	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
- within one year	**17**	29	14
- between one and two years	**24**	29	30
- between two and three years	**6**	27	17
- between three and four years	**-**	8	1
	47	93	62

12. Derivative financial instruments (continued)

	Forecast payable cash flows		
	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
- within one year	**214**	318	259
- between one and two years	**149**	170	148
- between two and three years	**81**	112	79
- between three and four years	**39**	55	30
- between four and five years	**19**	12	9
	502	667	525

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Gain/(loss) from cash flow hedges recognised in the income statement due to hedge ineffectiveness	**2**	3	(17)

Fair value hedges

In addition the Group has the following fair value hedges that are designated as sterling interest rate related swaps:

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Nominal values per time period			
6 to 12 months	**250**	-	-
1 to 2 years	**1,650**	250	250
2 to 5 years	**-**	1,650	1,650
	1,900	1,900	1,900

Finally the Group has the following fair value hedges that are designated as cross currency related swaps:

		31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Nominal values per time period				
0 to 6 months	Exchange rate £/Euro = 1.1244	**-**	406	175
0 to 6 months	Exchange rate £/USD = 1.5077	**136**	-	387
6 to 12 months	Exchange rate £/Euro = 1.1244	**-**	139	-
1 to 2 years	Exchange rate £/USD = 1.5077	**-**	479	-
2 to 5 years	Exchange rate £/Euro = 1.1244	**1,085**	1,085	1,301
2 to 5 years	Exchange rate £/USD = 1.5077	**538**	462	612
		1,759	2,571	2,475

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Gains or (losses) arising from fair value hedges			
Hedging instrument	**(94)**	12	267
Hedged item attributable to the hedged risk	**97**	(24)	(265)
	3	(12)	2

13. Financial assets and liabilities at fair value

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Financial assets at fair value through profit and loss			
Loans and advances	**5,070**	5,029	5,327
Securities	**-**	196	202
	5,070	5,225	5,529
Hedging derivatives			
Other derivatives financial assets (note 12)	**316**	505	271
Derivative financial assets - related entities (note 12)	**134**	520	183
	450	1,025	454
	5,520	6,250	5,983
Financial liabilities at fair value through profit and loss			
Due to customers - term deposits	**59**	80	61
Hedging derivatives			
Other derivative financial liabilities (note 12)	**36**	507	1
Derivative financial liabilities - related entities (note 12)	**610**	856	535
	646	1,363	536
	705	1,443	597

Loans and advances to customers

Included in other financial assets at fair value is a portfolio of loans which have embedded derivative characteristics. These loans are hedged with interest rate derivative contracts with matching cash flows. The hedges do not achieve the criteria for hedge accounting and the loans are recorded at fair value to avoid an accounting mismatch. The maximum credit exposure of the loans is £5,070m (Sept 2009: £5,327m and March 2009: £5,029m). The cumulative movement in fair value of the loans attributable to changes in credit risk amounts to £103m (Sept 2009: £110m and March 2009: £94m) and the change for the current period is £7m (Sept 2009: £30m and March 2009: £14m).

The changes in fair value of the designated loans attributable to credit risk have been calculated using an established statistical based calculation used to estimate expected losses attributable to adverse movements in credit risk.

Due to customers - Term deposits

Included in other financial liabilities at fair value are fixed rate defeasance deposits which have been hedged with interest rate derivative contracts with matching cash flows.

The change in fair value attributable to changes in the Bank credit risk is £Nil (Sept 2009:£Nil and March 2009:£Nil). The Bank is contractually obligated to pay £6m (Sept 2009: £6m and March 2009: £6m) less than the carrying amount at maturity to the deposit holder.

14. Investments

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Available for sale - listed	**1,635**	1,328	1,531
Available for sale - unlisted	**10**	6	10
Held to maturity - listed	**25**	-	639
Other	**-**	1	-
	1,670	1,335	2,180

Included in the Available for sale ("AFS") listed securities at 31 March 2010 are £1.4bn (Sept 2009: £1.4bn and March 2009: £1.4bn) investments in other banks' debt securities, which are subject to a UK Government backed guarantee. These are held as AFS investments as part of the Bank liquid asset portfolio.

15. Loans and advances to customers

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Overdrafts	**4,175**	4,483	4,236
Credit cards	**507**	527	521
Lease finance	**1,095**	1,403	1,248
Housing loans	**12,494**	11,890	12,327
Other term lending - non retail	**8,258**	8,415	8,226
Other term lending - retail	**1,137**	1,370	1,247
Other lending	**13**	9	11
Gross loans and advances to customers	**27,679**	28,097	27,816
Unearned income	**(266)**	(310)	(290)
Deferred and unamortised fee income	**(45)**	(49)	(43)
Impairment provisions on credit exposures (note 16)	**(367)**	(335)	(336)
	27,001	27,403	27,147

The Group has transferred £2,256m (Sept 2009: £2,446m and March 2009: £2,651m) of housing loans through securitisation arrangements that do not qualify for derecognition from the balance sheet (note 17). The housing loans do not qualify for derecognition because the Group remains exposed to the risks and rewards of ownership on an ongoing basis.
The Group continues to be exposed primarily to the liquidity risk, interest rate risk and credit risk of the housing loans. The Group is also exposed to the residual rewards of the housing loans as a result of its ability to benefit from the future performance of the housing loans through the receipt of deferred consideration.

The carrying amount of the associated liability is £1,934m (Sept 2009: £2,343m and March 2009: £2,971m).

Included within loans and advances to customers are £2,420m (Sept 2009: £2,614m and March 2009: £2,795m) of housing loans assigned to a bankruptcy remote special purpose entity, Clydesdale Covered Bonds LLP. These loans provide security for issues of covered bonds made by Clydesdale Bank PLC. These transactions do not qualify for derecognition from the balance sheet. To date Clydesdale Bank PLC have issued £2,450m of covered bonds, under its covered bond programme, which are held by Clydesdale Bank PLC at 31 March 2010. As the covered bonds issued are held by Clydesdale Bank PLC no accounting entries are required in these Financial Statements.

Industry concentration of assets
The following table shows the levels of industry concentration of loans and advances:

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Government and public authorities	**27**	38	24
Agriculture, forestry, fishing and mining	**1,128**	933	1,065
Financial, investment and insurance	**313**	218	276
Real estate - construction	**660**	887	742
Manufacturing	**665**	698	703
Instalment loans to individuals and other personal lending (including credit cards)	**2,665**	2,822	2,847
Real estate - mortgage	**12,494**	11,890	12,327
Asset and lease financing	**1,095**	1,403	1,248
Other commercial and industrial	**8,632**	9,208	8,584
	27,679	28,097	27,816

15. Loans and advances to customers (continued)

Maximum exposure to credit risk

The amounts disclosed are the maximum exposure to credit risk of "Loans and advances", before taking account of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements. For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount.

For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

Description of collateral held as security and other credit enhancements

The Group evaluates each customer's creditworthiness on a case by case basis. The amount of collateral obtained, if deemed necessary by the Group upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include:

- a floating charge over all assets and undertakings of an entity, including uncalled capital and called but unpaid capital;
- specific or interlocking guarantees;
- specific charges over defined assets of the counterparty; and
- loan agreements which include affirmative and negative covenants and in some instances guarantees of counterparty obligations.

Distribution of loans and advances by credit quality

	31 Mar 10	31 Mar 09	30 Sept 09
	(unaudited)	(unaudited)	(audited)
Non retail	**£m**	£m	£m
Gross loans and advances:			
Neither past due nor impaired	**12,338**	13,196	12,672
Past due but not impaired	**585**	723	562
Impaired	**618**	391	487
	13,541	14,310	13,721

	31 Mar 10	31 Mar 09	30 Sept 09
	(unaudited)	(unaudited)	(audited)
Retail	**£m**	£m	£m
Gross loans and advances:			
Neither past due nor impaired	**13,678**	13,331	13,634
Past due but not impaired	**430**	444	448
Impaired	**30**	12	13
	14,138	13,787	14,095

Credit quality of loans and advances

The Group has an internally developed credit rating system that uses data drawn from a number of sources to assess the potential risk in lending to the Bank's customers. The Group has a single common masterscale across all non-retail counterparties for Probability of Default. This probability of default masterscale can be broadly mapped to external rating agencies and has performing (pre-default) and non performing (post-default) grades. Impaired assets consist of non-retail loans (excludes credit card loans and portfolio managed facilities) which have been individually assessed and there is sufficient doubt about the ultimate collectability of principal and interest with security insufficient to cover principal and interest. Unsecured portfolio managed facilities are classified as impaired when they become 180 days past due (if not written off).

15. Loans and advances to customers (continued)

Distribution of loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the Group's standard credit rating system. The credit rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy.

The table below presents the analysis of non retail credit quality of loans and advances that are neither past due nor impaired:

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Non retail			
Senior investment grade	**1,174**	1,159	1,211
Investment grade	**1,881**	2,029	1,884
Sub-investment grade	**9,283**	10,008	9,577
	12,338	13,196	12,672

For the non-retail analysis, Investment Grades are determined by the Customer Rating System (eCRS) as defined under the Credit Risk Management Policy.

- Senior Investment Grade is eCRS Ratings 1 to 5.
- Investment Grade is eCRS Ratings 6 to 11.
- Sub-investment Grade is eCRS Ratings 12 to 23.

These ratings were applied based on the Group determined eCRS distribution curve utilising UK sourced data. The results of this are then applied to the Loans and Advances to determine the allocation between investment grades.

There are no eCRS ratings available for Retail loans and advances as these loans and advances are not risk rated on this basis, rather an overall portfolio profile basis is applied.

Loans and advances which were past due but not impaired

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Non retail			
1 to 29 days past due	**383**	550	401
30 to 59 days past due	**41**	50	15
60 to 89 days past due	**5**	16	4
Past due over 90 days	**156**	107	142
	585	723	562

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Retail			
1 to 29 days past due	**126**	146	146
30 to 59 days past due	**138**	133	104
60 to 89 days past due	**30**	33	56
Past due over 90 days	**136**	132	142
	430	444	448

Loans and advances that are past due but are not impaired are classified as such where the net current market value of supporting security is sufficient to cover all principal, interest and other amounts (including legal, enforcement, realisation costs etc.) due on the facility.

16. Impairment provisions on credit exposures

	Non retail		Retail		
	Specific	**Collective**	**Specific**	**Collective**	**Total**
6 months to 31 March 2010	**£m**	**£m**	**£m**	**£m**	**£m**
(unaudited)					
Opening balance	54	190	10	82	336
Charge for the period	118	21	52	(3)	188
Amounts written off	(103)	-	(68)	-	(171)
Recoveries of amounts written off in previous years	-	-	14	-	14
Closing balance	**69**	**211**	**8**	**79**	**367**

	Non retail		Retail		
	Specific	**Collective**	**Specific**	**Collective**	**Total**
6 months to 31 March 2009	**£m**	**£m**	**£m**	**£m**	**£m**
(unaudited)					
Opening balance	41	164	5	70	280
Charge for the period	97	26	38	7	168
Amounts written off	(76)	-	(66)	-	(142)
Recoveries of amounts written off in previous years	-	-	29	-	29
Closing balance	62	190	6	77	335

	Non retail		Retail		
	Specific	**Collective**	**Specific**	**Collective**	**Total**
12 months to 30 September 2009	**£m**	**£m**	**£m**	**£m**	**£m**
(audited)					
Opening balance	41	164	5	70	280
Charge for the year	258	26	103	12	399
Amounts written off	(245)	-	(150)	-	(395)
Recoveries of amounts written off in previous years	-	-	52	-	52
Closing balance	54	190	10	82	336

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Amounts included in			
Loans and advances to customers (note 15)	**367**	335	336
Non accrual loans			
Loans and advances to customers	**648**	403	500
Provisions	**(77)**	(68)	(64)
Total	**571**	335	436

17. Securitisation

Securitised advances are subject to non-recourse finance arrangements. These loans have been transferred at principal value to Lanark Trustees Limited, a special purpose entity (SPE), from Clydesdale Bank PLC, and have been funded through the issue of amortising mortgage backed securities to wholesale market investors. The transfer did not meet the derecognition tests in IAS39. The Group's balance sheet include the results, assets and liabilities of the Lanark group of companies (securitisation SPEs), on a line by line basis.

The balance of assets and liabilities in relation to securitisation notes in issue at 31 March 2010, 31 March 2009 and 30 September 2009 within the Group's balance sheet are as follows:-

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Assets			
Cross currency swaps on bonds and notes	**410**	678	475
Loans & advances to customers (note 15)	**2,256**	2,651	2,446
Accrued interest receivable	**14**	20	15
	2,680	3,349	2,936
Liabilities			
Bonds and notes	**1,932**	2,971	2,343
Accrued interest payable	**7**	11	7
	1,939	2,982	2,350

At 31 March 2010 the SPEs had cash deposits with Clydesdale Bank PLC amounting to £17m (Sept 2009: £53m and March 2009: £82m). This balance is restricted in use to the repayment of the debt securities issued by the SPEs and other legal obligations.

The Bank initiated two public tender offer processes during 2009 to purchase Lanark notes: one in March 2009 (where £20m and €94m and US $99m were tendered) and one in June 2009 (where €85m and £40m were tendered). These securities are all Triple A rated and attract a 20% risk weighting on a Standardised capital basis. In September 2009 Clydesdale Bank PLC undertook a private market purchase to acquire Lanark subordinate Residential Mortgage Backed Securities (RMBS) of which £100,000 (GBP) of class Single-A rated notes, €16m (EUR) Triple-B rated notes and a further £46m (GBP) Triple-B rated notes were successfully purchased. The Single-A rated notes attract a 50% risk weighting and the Triple-B rated notes attract a 100% risk weighting on a standardised capital basis.

Lanark Master Issuer redeemed its subordinated notes to the value of £232.2m on their call date of 22 February 2010 and subsequently issued a series of unrated subordinated ‘Z’ notes for £159.8m. Clydesdale Bank PLC has subscribed for these notes. The class Z notes give the required subordination to the remaining outstanding senior notes. Clydesdale Bank PLC has therefore paid £72.4m cash into the structure to meet the note payment obligations on the junior notes in return for an increased share of the trust property. The ratings of the remaining senior notes have been affirmed by S&P, Moody's and Fitch.

18. Property, plant and equipment

Movements on property, plant and equipment

	Freehold land and buildings £m	Leases of 50 years and over unexpired £m	Leases of under 50 years unexpired £m	Motor vehicles, fixtures and equipment £m	Total £m
Cost or valuation					
At 1 October 2009	41	3	129	143	316
Additions	-	-	2	2	4
Disposals	-	-	(1)	(4)	(5)
At 31 March 2010	**41**	**3**	**130**	**141**	**315**
Accumulated depreciation					
At 1 October 2009	-	2	61	86	149
Charge for the period	-	-	6	5	11
Disposals	-	-	-	(4)	(4)
At 31 March 2010	**-**	**2**	**67**	**87**	**156**
Net book value					
At 31 March 2010 (unaudited)	**41**	**1**	**63**	**54**	**159**
At 30 September 2009 (audited)	41	1	68	57	167
At 31 March 2009 (unaudited)	64	11	67	60	202

The net book value disclosed in the interim accounts for the 6 months to 31 March 2009 was £225m, which included £11m of investment property and £12m property inventory. These balances have been separately disclosed in notes 19 and 20.

19. Investment properties

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
At 1 October	**33**	10	10
Additions	**3**	1	25
Disposals	**(2)**	**-**	(1)
Increment/(deficit) on revaluation	**3**	**-**	(1)
	37	11	33

During the period 80% (September 2009: 73% and March 2009: 82%) of the investment properties generated rental income of £0.39m (September 2009: £0.26m and March 2009: £0.11m) and incurred operating expenses of £0.18m (September 2009: £0.13m and March 2009: £0.08m). The operating expenses of the investment properties that did not generate rental income were £0.05m (September 2009: £0.05m and March 2009: £0.02m).

The September 2009 Annual Report and Consolidated Financial Statements disclosed a balance of £44m, which included £11m related to property inventory. This has now been separately disclosed as property inventory (refer to note 20).

19. Investment properties (continued)

Investment properties are stated at fair value, which has been determined based on valuations performed by the property subsidiaries, St Vincent Investments Limited ("SVIL") Group of Directors to the period 31 March 2010. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards.

20. Property Inventory

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Cost			
At 1 October	**25**	6	6
Additions	**6**	6	21
Disposals	**(2)**	-	(2)
Properties completed and under construction	**29**	12	25

Included within property inventory is property under construction of £22.8m (September 2009: £17.9m and March 2009: £10.6m). The remaining properties are complete and available for sale.

At 30 September 2009 properties of £11m were included in investment properties. Properties under construction of £14m were included in other assets.

21. Due to other banks

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Transaction balances with other banks	**7**	8	5
Securities sold under agreements to repurchase	**551**	547	584
Deposits with other banks	**839**	1,331	1,331
	1,397	1,886	1,920

22. Due to customers

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Non interest bearing demand deposits	**1,080**	906	984
Interest bearing demand deposits	**16,045**	14,071	15,395
Term deposits	**7,236**	7,603	7,176
Other wholesale deposits	**3,900**	2,308	3,101
	28,261	24,888	26,656

23. Provisions

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Refund of current account fees & associated costs			
Opening balance	**4**	3	3
Charge to income statement	**-**	-	2
Provisions utilised	**(3)**	(1)	(1)
Closing balance	**1**	2	4
Business Efficiency Initiatives			
Opening balance	**-**	-	-
Charge to income statement	**-**	3	3
Provisions utilised	**-**	-	(3)
Closing balance	**-**	3	-
Other provisions			
Opening balance	**10**	6	6
Charge to income statement	**6**	2	6
Provisions utilised	**(1)**	-	(2)
Closing balance	**15**	8	10
Total provisions	**16**	13	14

Refund of current account fees & associated costs
The Office of Fair Trading (OFT) investigation into the operation of the personal current account market in the UK was published on 16 July 2008 and highlighted perceived issues of transparency and switching. Discussions on the way forward continue between the industry and the OFT.

The unarranged overdraft charges legal test case concluded on 25 November 2009. The UK Supreme Court ruled that the level of the charges could not be assessed for fairness under the Unfair Terms in Consumer Contracts Regulations 1999. The waiver issued by the FSA to keep claims for refunds on hold accordingly lapsed and all claimants have been informed that the bank has no liability under the Regulations. The Financial Ombudsman Service has indicated that the claims currently outstanding will be dismissed unless they are cases involving financial hardship or raise other issues. The banks are now considering what steps are necessary to deal with the many thousands of claims currently stayed in the Courts, although some County Courts have dismissed the claims in the light of the ruling by the Supreme Court.

The High Court had already ruled that none of the banks' contracts contain penalties at common law and, accordingly, claims based on this allegation also fail.

As at 31st March 2010, Clydesdale Bank PLC was carrying a provision of £0.5m to cover outstanding claims and Ombudsman fees. These claims were specifically associated to hardship cases which under the terms of the waiver we were required to review and pay compensation where appropriate. In addition, the Bank is carrying a £0.7m provision to cover legal costs in relation to outstanding claims at the Courts.

Other
This category includes:
- Provision for endowment mis-selling;
- Provision for costs arising in respect of a number of legal actions and claims arising in the ordinary course of the Bank's business;
- Provision for future employer related taxes in relation to share based remuneration;
- Provision for mis-selling of payment protection insurance which is under review by Regulators, specifically the FSA and Competition Commission.

24. Bonds and notes

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Medium term notes	**2,270**	3,145	2,465
Subordinated medium term notes	**450**	450	450
Residential mortgage backed securities	**1,932**	2,968	2,343
Total bonds, notes and subordinated debt	**4,652**	6,563	5,258
Fair value hedge adjustments	**39**	34	29
	4,691	6,597	5,287
Total bonds and notes were recorded as:			
At amortised cost	**1,440**	1,812	1,666
Designated as fair value hedges	**3,251**	4,785	3,621
	4,691	6,597	5,287

25. Called up share capital

	31 Mar 10 (unaudited)	31 Mar 09 (unaudited)	30 Sept 09 (audited)
Allotted, called up and fully paid	**£m**	£m	£m
Ordinary shares of £1 each - equity			
At 1 October	**532**	232	232
Issued during the period	**160**	300	300
At 31 March and 30 September	**692**	532	532
Preference Shares	**£m**	£m	£m
Preference shares of £1 each - equity			
At 1 October	**100**	-	-
Issued during the period	**-**	100	100
At 31 March and 30 September	**100**	100	100
Share capital	**792**	632	632

On 8 December 2009, 160,000,000 ordinary shares of £1 each were issued at par, resulting in an increase of £160,000,000 in the allotted, called up and fully paid share capital.

The preference shares entitle the holder to a discretionary fixed non-cumulative dividend of 12% per annum, payable semi-annually in arrears commencing on 17 June 2009, until the first redemption date, at 12% per annum. The preference shares are redeemable, in whole only, at the option of Clydesdale Bank PLC on the day following the 5th anniversary of the date of issue. No such redemption may be made without the consent of the FSA.

26. Reserves

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Share premium account	**243**	243	243
Share option reserve	**10**	8	2
Asset revaluation reserve	**2**	7	2
Available for sale investments reserve	**14**	2	14
Merger reserve	**338**	338	338
Cash flow hedge reserve	**103**	124	103
Retained earnings	**863**	1,061	916
	1,573	1,783	1,618

Share option reserve
The Bank's share option reserve represents the outstanding fair value amount in respect of share based payment expense recharged by its ultimate parent that has been charged through the income statement and adjusted for deferred tax.

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 the fair value of available for sale investments.

Merger reserve
The merger reserve arose 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.

27. Memorandum items

Contingent liabilities **Group**	**Contract amount 31 Mar 10 (unaudited) £m**	Contract amount 31 Mar 09 (unaudited) £m As restated	Contract amount 30 Sept 09 (audited) £m As restated
Guarantees and assets pledged as collateral security			
- guarantees and irrevocable letters of credit	**293**	293	273
Risk weighted amount	**187**	173	177
- At call	**1**	2	1
- Due in less than three months	**52**	54	29
- Due 3 months through to 1 year	**38**	36	46
- Due 1 year through to 3 years	**26**	28	24
- Due 3 years through to 5 years	**6**	4	5
- Due after 5 years	**138**	130	129
- No specified maturity	**32**	39	39
	293	293	273
Commitments			
Group			
Sale and option to repurchase transactions	**750**	750	750
- Due 3 months through to 1 year	**250**	-	250
- Due 1 year through to 3 years	**500**	750	500
	750	750	750
Other commitments			
- undrawn formal standby facilities, credit lines and other commitments to lend at call	**8,578**	9,157	8,595

The comparative contingent liability balances have been restated to remove an overstatement in the previously reported figures. The 30 September 2009 balance has been restated from £673m to £273m and 31 March 2009 balance has been restated from £693m to £293m.

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.

28. Other contingent liabilities

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.

Financial Services Compensation Scheme
The Financial Services Compensation Scheme ("FSCS") provides compensation to customers of financial institutions in the event that an institution in unable, or likely to be unable, to pay claims against it. In late September 2008, after breaching regulatory requirements, Bradford & Bingley was taken into public ownership, and during the subsequent period further banks were declared in default by the FSA. The FSCS has borrowed funds from HM Treasury in order to meet its obligations to the depositors of these institutions, and it is anticipated these borrowings will be repaid wholly or substantially from the realisation of the assets of these institutions. The cost of guaranteeing these institutions' deposits will be met by the FSCS, of which the Bank is a member. Individual institutions are required to make levy payments based on their level of market participation. The Bank was a market participant at 31 December 2008 and 31 December 2009 and therefore a charge of £2m has been recognised in the period to March 2010 (£6m in the year to Sept 2009) for the estimated annual levy in respect of this item. The Bank may also be liable for further compensation scheme costs. At present it is not possible to accurately determine the amount of any future levy which may be charged to the Bank.

Payment Protection Insurance
A provision is currently held for the refund of payment protection insurance ("PPI") premiums paid as a single premium, to cover customer claims for potential mis-selling. The Competition Commission ("CC") issued its final report on remedies for the PPI market on 29 January 2009 including a ban on the sale of single-premium PPI policies. In the light of this FSA issued a letter requesting that all banks cease selling single premium personal loan PPI by end of May 2009. The Bank took the decision to remove personal loan PPI from sale at the end of March 2009. A new monthly premium product was launched in September 2009 that will deliver income at a lower level than that which it replaced. CC remedies originally scheduled for implementation in Autumn 2010 have been delayed as a consequence of a successful appeal by Barclays Bank against part of the proposals. CC is now conducting further investigations and expects to report in Summer 2010 with implementation in 2011.

The FSA issued its consultation paper on PPI complaints handling guidance on 29 September 2009. The approach to the consideration and weighting of evidence between customers and firms is more onerous than had been anticipated from previous discussions with the FSA at the British Bankers Association ("BBA") industry group. The Bank and the BBA, amongst others, submitted feedback on the consultation paper by the end of October 2009 as required. It had been expected that the final version of the guidance would be published during March 2010 but a further consultation paper has been issued instead, albeit with little change to the draft guidance or its anticipated effect. The Bank submitted a response by the deadline of 22 April 2010 and the guidance is now expected to come into force on 1 July 2010. The provision held at 31 March 2010 was £7.4m (Sept 2009:£3.6m and March 2009:£1.5m).

29. Employees

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

	6 months to 31 Mar 10 (unaudited) Number	6 months to 31 Mar 09 (unaudited) Number	12 months to 30 Sept 09 (audited) Number
Managers	**1,501**	1,594	1,570
Clerical staff	**3,998**	4,403	4,313
	5,499	5,997	5,883

All staff are contracted employees of National Australia Group Europe Limited ("NAGE") (the intermediate parent company of the Bank). 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 average number of staff employed in the UK Banking operating division of National Australia Bank Limited (the ultimate parent) in the six months to 31 March 2010 was 8,239 (Sept 2009:8,295 and March 2009:8,966).

30. Retirement benefit obligations

The Group operated two defined benefit schemes until 30th September 2009, when all the assets and liabilities of the Yorkshire Bank Pension Fund were transferred to the Clydesdale Bank Pension Scheme and the remaining scheme was renamed the Yorkshire and Clydesdale Bank Pensions Scheme. This remaining Scheme is a fully sectionalised arrangement where the discrete assets and liabilities of the two sections are independently calculated in accordance with the previously existing scheme structures.

The net defined benefits pension scheme obligation at 31 March 2010 totalled £354m (March 2009: £141m; Sept 2009: £310m). The deterioration is largely attributed to an increase in the scheme liability, resulting from an increase in the long-term inflation assumption from 3.1% to 3.7%, with only a modest change in the discount rate (from 5.5% to 5.55%). This has been partly mitigated by the favourable returns on scheme assets.

Defined benefit schemes	**6 months to 31 Mar 10 (unaudited) £m**	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Defined benefit assets	**1,961**	1,482	1,828
Defined benefit obligation	**(2,315)**	(1,623)	(2,138)
Net defined benefits pension scheme obligation	**(354)**	(141)	(310)
Post-retirement medical benefits liability	**(6)**	(10)	(10)
Net retirement benefits obligation	**(360)**	(151)	(320)

31. Notes to the statement of cash flows

	6 months to 31 Mar 10 (unaudited) £m	6 months to 31 Mar 09 (unaudited) £m	12 months to 30 Sept 09 (audited) £m
Non cash items included in profit before tax			
Interest receivable	**(698)**	(955)	(1,722)
Interest payable	**212**	572	877
Depreciation (note 6)	**11**	12	23
Actuarial losses on defined benefit pension plans	**(70)**	(391)	(591)
Profit on sale of land & buildings	**-**	-	(11)
Loss on revaluation of land and buildings	**-**	-	9
Gain on revaluation of investment properties	**(3)**	-	-
Profit on disposal of available for sale investments	**-**	-	(6)
Transfer from available for sale reserve	**-**	-	(4)
Transfer from cash flow hedge reserve	**2**	-	(17)
Impairment losses on credit exposures (note 16)	**188**	168	399
Share of operating profit in assocaited undertaking	**-**	-	(2)
Profit on disposal of subsidiary	**-**	-	(2)
Equity-based compensation expense	**8**	8	15
	(350)	(586)	(1,032)
Changes in operating assets			
Net (increase)/decrease in:			
Balances with supervisory central banks	**(1)**	(2)	(1)
Due from other banks	**328**	(1,233)	182
Derivative financial assets	**91**	(850)	(340)
Financial assets at fair value through profit or loss	**461**	(1,974)	(1,562)
Investments	**510**	(1,326)	(2,145)
Loans and advances to customers	**(42)**	1,085	1,110
Due from customers on acceptances	**(4)**	-	1
Other assets	**26**	(35)	(132)
	1,369	(4,335)	(2,887)
Changes in operating liabilities			
Net increase/(decrease) in:			
Due to other banks	**(597)**	(2,076)	(2,039)
Derivative financial liabilities	**(7)**	108	77
Financial liabilities at fair value through profit or loss	**108**	890	44
Due to customers	**1,605**	2,554	4,322
Liabilities on acceptances	**4**	-	(1)
Provisions	**2**	4	5
Defined benefit pension obligations	**40**	390	559
Other liabilities	**150**	(210)	(248)
	1,305	1,660	2,719

31. Notes to the statement of cash flows (continued)

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.

	31 Mar 10 (unaudited) £m	31 Mar 09 (unaudited) £m	30 Sept 09 (audited) £m
Cash assets (excluding mandatory balances with central banks - note 10)	**4,059**	2,943	2,686
Other assets	**136**	191	131
Due to other banks	**(79)**	(8)	(5)
Due to related entities	**(25)**	(136)	(123)
Other liabilities	**(52)**	(103)	(76)
	4,039	2,887	2,613

32. 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

	31 Mar 10 (unaudited)	31 Mar 09 (unaudited)	30 Sept 09 (audited)
Group	**£m**	£m	£m
Loans			
Ultimate parent	**3,014**	369	1,947
Other receivables			
Ultimate parent	**20**	-	5
Controlled entities of the ultimate parent	**12**	11	19
	32	11	24
Total amounts due from related entities	**3,046**	380	1,971
Interest income on the above amounts was as follows:			
Ultimate parent	**5**	11	15

32. Related party transactions (continued)

Amounts due to related entities

	31 Mar 10 (unaudited)	31 Mar 09 (unaudited)	30 Sept 09 (audited)
Group	**£m**	£m	£m
Deposits			
Ultimate parent	**2,709**	2,435	2,435
Controlled entities of the ultimate parent	**10**	103	-
	2,719	2,538	2,435
Subordinated liabilities			
Ultimate parent	**300**	300	300
Controlled entities of the ultimate parent	**426**	426	426
Other payables			
Ultimate parent	**11**	14	7
Controlled entities of the ultimate parent	**30**	24	153
	41	38	160
Total amounts due to related parties	**3,486**	3,302	3,321
Interest expense on the above amounts was as follows:			
Ultimate parent	**24**	77	106
Controlled entities of the ultimate parent	**3**	12	18
Total interest expense on amounts due to related entities	**27**	89	124

Securitisation

The Bank has securitised part of its residential mortgage portfolio and the cash raised via the issue of Residential Mortgaged Backed Securities (RMBS) through SPEs forms part of the Banks medium term funding. The value of the RMBS issued as at 31 March 2010 was £1,977m (Sept 2009: £2,215m and March 2009: £2,394).

Other transactions with related entities

	6 months to 31 Mar 10 (unaudited)	6 months to 31 Mar 09 (unaudited)	12 months to 30 Sept 09 (audited)
	£m	£m	£m
Non interest income received			
Controlled entities of the ultimate parent	**4**	9	14
Administrative expenses			
Ultimate parent	**2**	2	4
Controlled entities of the ultimate parent	**124**	123	245
	126	125	249

33. Maturity analysis of assets and liabilities

The following tables represents a breakdown of the Group's balance sheet according to when assets and liabilities are expected to be recovered or settled.

31 March 2010 (unaudited)	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity £m	Total £m
Assets							
Cash and balances with central banks	3,131	-	-	-	-	957	4,088
Due from other banks	-	12	-	-	-	-	12
Derivative financial assets	-	2	126	723	-	-	851
Other financial assets at fair value	489	101	555	2,125	2,250	-	5,520
Investments	1	-	30	1,639	-	-	1,670
Loans and advances to customers	3,463	3,327	1,222	3,886	15,103	-	27,001
Due from customers on acceptances	-	6	-	-	-	-	6
Due from related entities	438	215	2,393	-	-	-	3,046
All other assets	121	-	-	-	-	1,155	1,276
Total assets	7,643	3,663	4,326	8,373	17,353	2,112	43,470
Liabilities							
Due to other banks	25	316	505	551	-	-	1,397
Derivative financial liabilities	7	1	10	88	-	-	106
Other financial liabilities at fair value	244	403	1	12	45	-	705
Due to customers	17,439	5,057	4,191	1,574	-	-	28,261
Liabilities on acceptances	-	6	-	-	-	-	6
Bonds and notes	-	-	184	4,057	450	-	4,691
Due to related entities	189	924	904	614	855	-	3,486
All other liabilities	52	-	-	-	-	2,401	2,453
Total liabilities	17,956	6,707	5,795	6,896	1,350	2,401	41,105

33. Maturity analysis of assets and liabilities (continued)

31 March 2009 (unaudited)	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity £m	Total £m
Assets							
Cash and balances with central banks	2,884	-	-	-	-	87	2,971
Due from other banks	68	1,687	-	-	-	-	1,755
Derivative financial assets	1,452	-	-	-	-	-	1,452
Other financial assets at fair value	1,282	221	371	2,123	2,253	-	6,250
Investments	-	11	-	1,323	1	-	1,335
Loans and advances to customers	4,037	-	4,586	3,584	15,196	-	27,403
Due from customers on acceptances	-	3	-	-	-	-	3
Due from related entities	345	1	-	6	28	-	380
All other assets	191	-	-	-	-	1,156	1,347
Total assets	10,259	1,923	4,957	7,036	17,478	1,243	42,896
Liabilities							
Due to other banks	69	1,173	144	500	-	-	1,886
Derivative financial liabilities	144	-	-	-	-	-	144
Other financial liabilities at fair value	1,385	-	-	4	54	-	1,443
Due to customers	14,745	5,077	3,731	1,335	-	-	24,888
Liabilities on acceptances	-	3	-	-	-	-	3
Bonds and notes	21	111	1,022	4,993	450	-	6,597
Due to related entities	214	681	395	856	1,156	-	3,302
All other liabilities	103	-	-	-	-	2,115	2,218
Total liabilities	16,681	7,045	5,292	7,688	1,660	2,115	40,481

33. Maturity analysis of assets and liabilities (continued)

30 September 2009 (audited)	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity £m	Total £m
Assets							
Cash and balances with central banks	2,713	-	-	-	-	-	2,713
Due from other banks	15	325	-	-	-	-	340
Derivative financial assets	-	10	178	727	27	-	942
Other financial assets at fair value	698	374	421	2,208	2,282	-	5,983
Investments	-	639	-	1,541	-	-	2,180
Loans and advances to customers	3,856	-	4,486	3,104	15,701	-	27,147
Due from customers on acceptances	-	2	-	-	-	-	2
Due from related entities	433	1	1,506	6	25	-	1,971
All other assets	131	-	-	-	-	961	1,092
Total assets	7,846	1,351	6,591	7,586	18,035	961	42,370
Liabilities							
Due to other banks	165	580	623	552	-	-	1,920
Derivative financial liabilities	-	2	13	98	-	-	113
Other financial liabilities at fair value	61	19	36	221	260	-	597
Due to customers	16,223	5,402	3,612	1,419	-	-	26,656
Liabilities on acceptances	-	2	-	-	-	-	2
Bonds and notes		179	222	4,436	450	-	5,287
Due to related entities	228	348	1,256	634	855	-	3,321
All other liabilities	76	-	-	-	-	2,148	2,224
Total liabilities	16,753	6,532	5,762	7,360	1,565	2,148	40,120

34. Interest rate sensitivity gap analysis

Part of the Group's return on financial instruments is obtained from controlled mis-matching 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 mis-matches on the Group's book as at 31 March 2010, 31 March 2009 and 30 September 2009. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date or the maturity date.

31 March 10 (unaudited)	**Weighted average effective interest rate %**	**0 to 3 months £m**	**3 to 12 months £m**	**1 to 2 years £m**	**2 to 3 years £m**	**3 to 4 years £m**	**4 to 5 years £m**	**Over 5 years £m**	**Non interest bearing £m**	**Total £m**
Assets										
Cash assets	0.50	3,103	-	-	-	-	-	-	957	4,060
Balances with supervisory central banks		-	-	-	-	-	-	-	28	28
Due from other banks	0.44	12	-	-	-	-	-	-	-	12
Derivative financial assets		-	-	-	-	-	-	-	851	851
Other financial assets at fair value	2.07	125	541	518	608	511	349	1,958	910	5,520
Investments										
-Available for sale	1.47	1,204	125	267	-	49	-	-	-	1,645
-Held to maturity	0.73	25	-	-	-	-	-	-	-	25
Loans and advances to customers	4.75	22,677	1,188	1,538	958	271	298	71	-	27,001
Due from customers on acceptances		-	-	-	-	-	-	-	6	6
Due from related entities		3,014	-	-	-	-	-	-	32	3,046
All other assets		-	-	-	-	-	-	-	1,276	1,276
Total assets		30,160	1,854	2,323	1,566	831	647	2,029	4,060	43,470
Liabilities										
Due to other banks	0.83	392	505	500	-	-	-	-	-	1,397
Derivative financial liabilities		-	-	-	-	-	-	-	106	106
Other financial liabilities at fair value	1.86	12	2	6	6	10	15	10	644	705
Due to customers	0.43	21,236	4,509	835	239	12	349	-	1,081	28,261
Liabilities on acceptances		-	-	-	-	-	-	-	6	6
Bonds and notes	1.29	3,491	250	950	-	-	-	-	-	4,691
Due to related entities		2,992	262	200	-	-	-	-	32	3,486
All other liabilities		-	-	-	-	-	-	-	2,453	2,453
Shareholders' equity		-	-	-	-	-	-	-	2,365	2,365
Total liabilities and shareholders' equity		28,123	5,528	2,491	245	22	364	10	6,687	43,470
Off balance sheet items		(3,875)	3,154	2,151	(225)	247	310	(1,762)	-	-
Interest rate sensitivity gap		(1,838)	(520)	1,983	1,096	1,056	593	257	(2,627)	-
Cumulative gap		(1,838)	(2,358)	(375)	721	1,777	2,370	2,627	-	-

34. Interest rate sensitivity gap analysis (continued)

31 March 09 (unaudited)	**Weighted average effective interest rate %**	**0 to 3 months £m**	**3 to 12 months £m**	**1 to 2 years £m**	**2 to 3 years £m**	**3 to 4 years £m**	**4 to 5 years £m**	**Over 5 years £m**	**Non interest bearing £m**	**Total £m**
Assets										
Cash assets	1.86	2,855	-	-	-	-	-	-	88	2,943
Balances with supervisory central banks		-	-	-	-	-	-	-	28	28
Due from other banks	2.75	1,755	-	-	-	-	-	-	-	1,755
Derivative financial assets		-	-	-	-	-	-	-	1,452	1,452
Other financial assets at fair value	4.32	523	347	654	467	561	479	1,693	1,526	6,250
Investments										
-Available for sale	3.01	941	-	125	268	-	-	-	-	1,334
-Held to maturity		-	-	-	-	-	-	-	1	1
Loans and advances to customers	5.61	22,532	1,276	1,473	918	621	228	355	-	27,403
Due from customers on acceptances		-	-	-	-	-	-	-	3	3
Due from related entities		377	-	-	-	-	-	-	3	380
All other assets		-	-	-	-	-	-	-	1,347	1,347
Total assets		28,983	1,623	2,252	1,653	1,182	707	2,048	4,448	42,896
Liabilities										
Due to other banks	3.81	1,742	144	-	-	-	-	-	-	1,886
Derivative financial liabilities		-	-	-	-	-	-	-	144	144
Other financial liabilities at fair value	0.93	3	2	5	6	6	10	25	1,386	1,443
Due to customers	2.65	19,771	3,075	511	607	7	10	-	907	24,888
Liabilities on acceptances		-	-	-	-	-	-	-	3	3
Bonds and notes	3.77	5,847	-	-	750	-	-	-	-	6,597
Due to related entities		2,602	-	-	700	-	-	-	-	3,302
All other liabilities		-	-	-	-	-	-	-	2,218	2,218
Shareholders' equity		-	-	-	-	-	-	-	2,415	2,415
Total liabilities and shareholders' equity		29,965	3,221	516	2,063	13	20	25	7,073	42,896
Off balance sheet items		(3,285)	2,303	946	1,922	(264)	60	(1,682)	-	-
Interest rate sensitivity gap		(4,267)	705	2,682	1,512	905	747	341	(2,625)	-
Cumulative gap		(4,267)	(3,562)	(880)	632	1,537	2,284	2,625	-	-

34. Interest rate sensitivity gap analysis (continued)

30 September 09 (audited)	**Weighted average effective interest rate %**	**0 to 3 months £m**	**3 to 12 months £m**	**1 to 2 years £m**	**2 to 3 years £m**	**3 to 4 years £m**	**4 to 5 years £m**	**Over 5 years £m**	**Non interest bearing £m**	**Total £m**
Assets										
Cash assets	2.56	2,631	-	-	-	-	-	-	82	2,713
Balances with supervisory central banks		-	-	-	-	-	-	-	27	27
Due from other banks	6.36	307	6	-	-	-	-	-	-	313
Derivative financial assets		-	-	-		-	-	-	942	942
Other financial assets at fair value	3.35	374	412	642	591	602	471	2,001	890	5,983
Investments										
-Available for sale	2.11	1,100	-	125	268	-	48	-	-	1,541
-Held to maturity	2.14	639	-	-	-	-	-	-	-	639
Loans and advances to customers	5.19	22,753	1,176	1,534	1,016	328	251	89	-	27,147
Due from customers on acceptances		-	-	-	-	-	-	-	2	2
Due from related entities		1,947	-	-	-	-	-	-	24	1,971
All other assets		-	-	-	-	-	-	-	1,092	1,092
Total assets		29,751	1,594	2,301	1,875	930	770	2,090	3,059	42,370
Liabilities										
Due to other banks	2.78	761	659	-	500	-	-	-	-	1,920
Derivative financial liabilities		-	-	-	-	-	-	-	113	113
Other financial liabilities at fair value	4.16	-	5	6	6	10	15	18	537	597
Due to customers	2.06	21,027	3,461	545	540	7	91	-	985	26,656
Liabilities on acceptances		-	-	-	-	-	-	-	2	2
Bonds and notes	3.16	4,087	-	250	950	-	-	-	-	5,287
Due to related entities		2,643	450	-	200	-	-	-	28	3,321
All other liabilities		-	-	-	-	-	-	-	2,224	2,224
Shareholders' equity		-	-	-	-	-	-	-	2,250	2,250
Total liabilities and shareholders' equity		28,518	4,575	801	2,196	17	106	18	6,139	42,370
Off balance sheet items		(2,878)	2,334	979	1,517	(252)	36	(1,736)	-	-
Interest rate sensitivity gap		(1,645)	(647)	2,479	1,196	661	700	336	(3,080)	-
Cumulative gap		(1,645)	(2,292)	187	1,383	2,044	2,744	3,080	-	-

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.

35. Basel II Capital Requirements Directive Pillar 3 Disclosure

The Financial Services Authority ("FSA") has granted the Bank a waiver direction under BIPRU 11.2.6: (Waiver: Comparable disclosures provided on a consolidated basis by a parent undertaking established in a third country).

The waiver direction can be found on the FSA website. http://www.fsa.gov.uk/pubs/waivers/bipru_waivers.pdf

In line with the FSA waiver direction, the Bank will rely on the following references to comparable National Australia Bank Limited consolidated disclosure to satisfy its Pillar 3 disclosure obligations:

National Australia Bank Limited 2009 Full Year Risk and Capital Report: http://www.nabgroup.com/rcr
National Australia Bank Limited 2009 Full Year Financial Results, Note 1, Section 6 (Supplementary Information) :
http://www.nabgroup.com/0,,32862,00.html
National Australia Bank Limited 2009 Annual Financial Report :http://www.nabgroup.com/annualreports

With specific reference to securitisation policy, disclosure is made on pages 60 and 153-158 of the National Australia Bank Limited 2009 Annual Financial Report.

The information contained in these qualitative disclosures has not been audited by the Group's external auditors except to the extent that they are equivalent to those made under accounting requirements and is limited to those required by BIPRU 11.

36. Events after the balance sheet date

On 27 May 2010, the Board approved the issue of up to £300m of additional Tier 1 capital to further strengthen the Bank's capital position.

There have been no other subsequent events which have occurred post 31 March 2010 that would require disclosure in the Interim Condensed Consolidated Financial Statements of Clydesdale Bank PLC.

For more information

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Disclaimer

This document contains certain forward looking statements. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Further information on important factors that could cause actual results to differ materially from those projected in such statements are contained in the Group's Annual Report & Consolidated Financial Statements.

Clydesdale Bank Yorkshire Bank