Interim financial report.

Clydesdale Bank PLC.

For the six months ended 31 March 2012.

Company Number: SC001111.

This page has been left blank intentionally.

Clydesdale Bank PLC.

Interim financial report.

For the six months ended 31 March 2012.

Contents

Overview

Clydesdale Bank PLC (the "Bank"), together with its subsidiary undertakings (which together comprise the "Group"), is the United Kingdom retail and commercial banking business of National Australia Bank Limited. The Group operates under both the Clydesdale Bank and Yorkshire Bank brands. It offers a range of banking services for both personal and business customers through retail branches, business centres, direct banking and brokers.

Forward looking statements

This document contains certain forward looking statements with respect to the expectations, plans and aims of the Group relating to future performance, financial position and results. The Group considers the expectations these forward looking statements reflect are reasonable, however, we can give no assurance that these expectations will not differ materially from actual outcomes. All forward looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control. Factors beyond the Group's control include, amongst others, domestic UK and global economic and business conditions, the policies and actions of Governments and other regulatory bodies, changes in the tax regimes or other legislation in the jurisdictions the Group and its parent operate, market related risks such as interest or exchange rate movements, inflation, changes in customer preferences and the actions of competitors, the effect, timing and other uncertainties around future acquisitions or other combinations within relevant industries, delays in implementing proposals and risks effecting borrower credit quality. As a result, the Group recommends that readers of this document do not place undue reliance on such forward looking statements.

The Group undertakes no obligation to update any forward looking statements in light of any future events, new information or otherwise.

Clydesdale Bank

Yorkshire Bank

Officers and professional advisers

Directors	**Chairman**	Sir Malcolm Williamson #
	Non-executive	David Allvey (appointed 18 May 2012) David Browne (appointed 2 May 2012) Jonathan Dawson * # Sir David Fell KCB * Richard Gregory OBE * # Roy Nicolson * # Elizabeth Padmore Barbara Ridpath (appointed 9 May 2012) Alex Shapland (appointed 23 May 2012)
	Executive	David Thorburn (Chief Executive Officer) # Cameron Clyne John Hooper #
		* Member of the European Boards' Audit Committee # Member of the European Boards' Risk Committee
UK Executive Committee		David Thorburn, Chief Executive Officer John Hooper, Executive Director Scott Butterworth, Chief Financial Officer Debbie Crosbie, Operations and IT Director Eric Gunn, Chief Risk Officer Steven Martin, General Manager Corporate Development Lynn McManus, Head of the CEO's Office Kevin Page, Transformation Director Steve Reid, Retail Director Michael Webber, Head of Legal Services & Company Secretary Arthur Willett, Human Resources Director Paul Shephard, Business and Private Bank Director (appointed 20 April 2012)
Joint Company Secretary		Michael Webber Lorna McMillan
Registered Office		30 St Vincent Place Glasgow, G1 2HL
Bankers		National Australia Bank Limited
Auditor		Ernst & Young LLP 1 More London Place London, SE1 2AF

Chairman's statement

Sir Malcolm Williamson.

During the period there was a significant deterioration in economic conditions in the UK and the Eurozone and the UK economy has now entered into a "double dip" recession. This has had the result of further reducing commercial property prices and financial system activity. In addition, the Group suffered a credit rating downgrade in December 2011.

These factors adversely impacted performance over the period, with the Group incurring a statutory loss in the period to 31 March 2012. From a balance sheet perspective, our Total Tier 1 ratio increased and our retail cover ratio also improved.

The loss incurred in the period reflected lower income, which was primarily due to the downgrade and resulted in net interest income declining as cheaper money market and retail deposits were replaced by more expensive longer term wholesale funding and retail term deposits. Impairments also increased sharply, reflecting the deterioration in asset quality in our business lending portfolio, and in particular the commercial property sector. Non interest income also declined slightly due to lower fees and commissions being received as a result of the subdued credit environment. The result was also impacted by the need to increase our provision for Payment Protection Insurance redress. Expenses remained well controlled.

The Group's response to the difficult trading conditions was to undertake a Strategic Review of its operations, in conjunction with its ultimate parent, National Australia Bank Limited ("NAB"). This resulted in a series of proposals to simplify the business model and to improve the balance sheet structure.

Given the focus on the Strategic Review, the Board postponed a number of business as usual activities, including its on-going Renewal planning. As we conclude the first half of the year I am particularly grateful to my Non-executive Director colleagues a number of whom stayed on beyond their intended retirement dates to support these activities and who will now step down as new Directors are appointed.

The next year will undoubtedly be challenging and we will make every effort to support our stakeholders through this. It is our intention to strengthen the Group and build a sustainable future for the business.

Sir Malcolm Williamson
Chairman
24 May 2012

Chief Executive's statement

David Thorburn.

In the half year under review, the Group faced exceptional challenges from the deterioration in general economic conditions, a credit ratings downgrade, and pressure on funding and liquidity costs that followed increased uncertainty in the Eurozone. These factors resulted in a loss for the half year.

In response to economic and trading conditions we initiated a Strategic Review of our operations and business model in conjunction with our ultimate parent, NAB. The Review resulted in a package of measures to improve returns and reduce the Group's risk profile.

These changes include simplifying the business model to focus on retail operations and SME business lending in our heartland areas and improving the balance sheet structure by transferring the vast majority of the commercial real estate assets to NAB to be managed separately and run off. This transfer will take place in the first half of the 2013 financial year.

In addition, as a result of the Review we will also streamline our operations by closing a number of Financial Solutions Centres and serving business and private customers from a reduced network of Business & Private Banking Centres and a small number of regional hubs. We will also consolidate our support functions into head office locations in Glasgow, while also maintaining our important operations centre in Leeds.

Implementing these proposals will impact on our employee numbers and we expect that there will be a reduction in the region of 1,400 employees by the end of 2015 relative to September 2011. Of this, some 200 have already left the Group and another 200 employees will transfer to NAB to assist in the on-going management of the assets transferred.

In the period we increased the provision for Payment Protection Insurance (PPI) matters, which contributed to the statutory loss, however benefits that we secured through reforms to the Group's defined benefit pension scheme helped to offset this.

Taken together, our continuing focus on cost control, the outcomes from the Strategic Review, and the actions taken to address pension scheme issues and PPI claims experience will contribute to the Group's overall objective of building a strong and sustainable business. The measures will better position the business to face the challenging economic conditions and banking environment that continue to be forecast for the UK.

D Thorburn.

David Thorburn
Chief Executive Officer
24 May 2012

Business review

Key points

- Reflecting the United Kingdom's prolonged economic downturn, the Group incurred a pro forma loss of £176 million for the half compared to a pro forma profit of £45 million in the prior comparable period. The statutory loss was £186 million, compared to a statutory loss of £43 million in the prior comparable period.

- The results in these accounts reflect the current structure for the Group, and not the proposed structure arising from the Strategic Review that was undertaken during the period.

- The pro forma loss for the period reflects the impact of the higher cost of funds incurred following a credit rating downgrade from A+ to BBB+ by Standard and Poor's (following a change in the way that systemic support for Clydesdale Bank PLC is calculated), higher bad and doubtful debts (arising mainly from higher provisioning for corporate real estate related exposures) and certain costs related to the outcomes of the Strategic Review.

- The statutory loss outcome also reflected the need to increase the provision for Payment Protection Insurance matters by £120 million following higher than expected claims experience in the half year (as has been the case for other UK banks). This was offset by a £130 million benefit arising from the reforms to the Group's defined benefit pension scheme.

- The Group has continued to manage its balance sheet tightly during the period. Provisioning coverage (total provisions to gross loans and acceptances) has increased to 2.26% (March 2011: 1.56%). The total Tier 1 capital ratio was 10.3% at the end of the period, up from 9.6% at 31 March 2011. The Customer Funding Index rose to 87% (March 2011: 82%) and Stable Funding Index increased to 97% (March 2011: 94%).

- Reflecting underlying franchise strength, the business achieved mortgage growth of 10.9% over the prior comparative period compared to system growth of 0.4%*. Retail deposits grew by 3.9% compared to 1.3%* system growth over the prior period.

	Six months to 31 Mar 2012	Six months to 30 Sep 2011	Six months to 31 Mar 2011
Pro forma (loss)/profit after tax (£m)	**(176)**	72	45
Statutory (loss)/profit after tax (£m)	**(186)**	61	(43)
Operating (loss)/profit after tax on average assets (1)	**(0.77)%**	0.32%	0.20%
Net interest margin (1)	**2.11%**	2.36%	2.36%
Cost to income ratio (1)	**66.0%**	59.3%	63.3%
Operating (loss)/profit after tax per FTE (£'000) (1)	**(64)**	25	16

(1) On a pro forma basis.

* (Source: Bank of England – March 2012)

Business review (continued)

Our business

Overview

The Group operates a UK-focused retail and commercial banking business under the brand names "Clydesdale Bank" and "Yorkshire Bank". The Bank currently has 337 retail branches, 71 Business & Private Banking Centres, and employs 5,521* staff.

Operating environment

The economic recovery in the UK stalled and the economy returned to recession after GDP contracted by 0.2% in the first three months of 2012. This followed on the back of a 0.3% contraction in the final quarter of 2011. Overall GDP growth in 2011 was 0.7% while the latest financial year 2012 forecasts from the Office for Budget Responsibility predicted GDP growth at a slightly lower level. These challenging conditions have been reflected in most major economic indicators and the Group's performance.

The CPI inflation rate increased to 3.5% in March 2012 due in the main to higher food and commodity prices. While the UK unemployment rate fell to 8.3% in the same quarter, it remains at a significantly higher level than in the previous year. In line with the overall economy, the commercial property market has also experienced a "double dip" in prices. This has been exacerbated by banks accelerating the reduction in their CRE exposures.

The financial markets have been impacted by the uncertainty in the Eurozone. The Bank of England Base Rate remained at 0.5%. However, the rolling average of three month LIBOR in the last six months increased by 25 basis points over the prior corresponding period impacting net interest margins.

The regulatory and legislative landscape for financial services in the UK continues to change with further changes in prospect. Recent significant developments include:

- In the March 2012 Budget, the Chancellor announced a further acceleration in the reduction in the corporation tax rate. It reduced to 24% in April 2012 and will reduce further to 22% from April 2014. However, the benefit of this lower rate will be offset by a 0.017% increase in the Bank Levy to 0.105%.
- All UK banks are required to prepare, and thereafter maintain, Recovery and Resolution Plans (RRPs). These will demonstrate the actions in the event of system-wide or institutional stresses, and which are required to avoid putting tax payers at risk of loss.
- The Capital Requirements Directive (CRD) IV is EU legislation, derived from Basel III and is intended to be implemented on 1 January 2013, with final adherence required by 1 January 2019. The objectives of the CRD IV are to improve both the quantity and quality of capital and funding thereby benefiting banks' financial stability and liquidity position.
- The EU legislators intend that uniform Supervisory Reporting Requirements be introduced from 1 January 2013 by means of the Capital Requirements Regulation.
- The Mortgage Market Review sets out the FSA's proposals for the major mortgage market reforms to ensure that it works better for consumers and is sustainable for all market participants. The FSA intends to make a decision on its final rules in summer 2012 but implementation will not be before 2013.
- New rules regarding transparency of charges and standards of advice for retail financial investment advisers come into effect at the end of 2012 following the FSA's Retail Distribution Review.
- In the Queen's Speech on 9 May 2012 the Government announced that it intended to pursue the "ring-fencing" of retail operations recommended by the Independent Commission on Banking.

The timescales, multiple initiatives and ultimate requirement to hold greater capital and liquidity will all have an impact on our cost base, future profitability and lending strategy.

* This is the Clydesdale Bank PLC full time equivalent. The proposed employee reductions referred to on page 3 relate to the UK Region figure of 8,146 which includes employees working within other National Australia Group Europe Limited subsidiaries who provide support services to the Group.

Business review (continued)

Pro forma financial analysis

	Six months to			Change	
	Mar 12 £m	**Sep 11 £m**	**Mar 11 £m**	**Mar 12 v Sep 11 %**	**Mar 12 v Mar 11 %**
Net interest income	**452**	494	489	(8.5%)	(7.6%)
Non interest income	**71**	103	81	(31.1%)	(12.3%)
Total operating income	**523**	597	570	(12.4%)	(8.2%)
Total operating expenses	**(345)**	(354)	(361)	2.5%	4.4%
Operating profit before impairment losses	**178**	243	209	(26.7%)	(14.8%)
Impairment losses on credit exposures (1)	**(416)**	(147)	(150)	Large	Large
(Loss)/profit before tax	**(238)**	96	59	Large	Large
Tax credit/(expense)	**62**	(24)	(14)	Large	Large
Pro forma operating (loss)/profit after tax	**(176)**	72	45	Large	Large
Significant items after tax	**(10)**	(11)	(88)	9.1%	88.6%
(Loss)/profit attributable to equity holders (2)	**(186)**	61	(43)	Large	Large

Six months to 31 March 2012	**Statutory results £m**	FSCS and Bank Levies £m	PPI redress £m	Pension Scheme Reforms Benefit (3) £m	Other items £m	**Pro forma results £m**
Net interest income	**452**	-	-	-	-	**452**
Non interest income	**81**	-	120	(130)	-	**71**
Total operating income	**533**	-	120	(130)	-	**523**
Total operating expenses	**(367)**	7	-	-	15	**(345)**
Operating profit/(loss) before impairment losses	**166**	7	120	(130)	15	**178**
Impairment losses on credit exposures (1)	**(416)**	-	-	-	-	**(416)**
(Loss)/profit before tax	**(250)**	7	120	(130)	15	**(238)**
Tax credit/(expense)	**64**	(2)	(29)	33	(4)	**62**
(Loss)/profit after tax	**(186)**	5	91	(97)	11	**(176)**

(1) Impairment provisions and impairment losses on credit exposures relate solely to Loans and Advances to Customers (see notes 11 and 12 to the interim condensed consolidated financial statements) and exclude the credit risk adjustments on loans at fair value through profit or loss which is incorporated in the movement in fair value assets within non interest income.

(2) (Loss)/profit attributable to equity holders is stated after tax. The loss before tax for the six months ended 31 March 2012 was £250m (six months ended 30 September 2011: profit of £82m and six months ended 31 March 2011: loss of £61m).

(3) The table includes a significant item in respect of Pension Reforms. This reflects the withdrawal of NAB as a participating employer of the YCB Scheme which resulted in a one-off payment of £130 million into the Scheme.

Business review (continued)

Pro forma financial analysis (continued)

Six months to 30 September 2011	**Statutory results £m**	FSCS and Bank Levies £m	PPI redress £m	Pension Scheme Reforms Benefit £m	Other items £m	**Pro forma results £m**
Net interest income	**494**	-	-	-	-	**494**
Non interest income	**103**	-	-	-	-	**103**
Total operating income	**597**	-	-	-	-	**597**
Total operating expenses	**(368)**	3	-	-	11	**(354)**
Operating profit before impairment losses	**229**	3	-	-	11	**243**
Impairment losses on credit exposures (1)	**(147)**	-	-	-	-	**(147)**
Profit before tax	**82**	3	-	-	11	**96**
Tax expense	**(21)**	-	-	-	(3)	**(24)**
Profit after tax	**61**	3	-	-	8	**72**

Six months to 31 March 2011	**Statutory results £m**	FSCS and Bank Levies £m	PPI redress £m	Pension Scheme Reforms Benefit £m	Other items £m	**Pro forma results £m**
Net interest income	**489**	-	-	-	-	**489**
Non interest income	**(35)**	-	116	-	-	**81**
Total operating income	**454**	-	116	-	-	**570**
Total operating expenses	**(365)**	4	-	-	-	**(361)**
Operating profit before impairment losses	**89**	4	116	-	-	**209**
Impairment losses on credit exposures (1)	**(150)**	-	-	-	-	**(150)**
(Loss)/profit before tax	**(61)**	4	116	-	-	**59**
Tax credit/(expense)	**18**	(1)	(31)	-	-	**(14)**
(Loss)/profit after tax	**(43)**	3	85	-	-	**45**

Key balance sheet measures

Average volumes	**Six months to 31 Mar 2012 £bn**	Six months to 30 Sep 2011 £bn	Six months to 31 Mar 2011 £bn
Gross loans and acceptances (4)	**33.7**	33.2	32.6
Interest earning assets	**42.8**	41.8	41.2
Total assets	**45.9**	44.6	44.2
Retail deposits (5)	**24.2**	23.3	23.4

(4) Gross loans and acceptances include gross loans and advances to customers, loans designated at fair value through profit or loss and due from customers on acceptances.

(5) Retail deposits include current accounts, savings accounts, term deposits and business retail deposits.

Business review (continued)

Pro forma financial analysis (continued)

Six month period to March 2012 v six month period to September 2011

A loss after tax of £186 million was incurred in the half compared to a profit of £61 million in the September 2011 half. This reflected higher charges to provide for bad and doubtful debts and a reduction in net interest income due to higher funding and liquidity costs. Excluding the charge for PPI redress, the gain from pension reforms and other one-off significant items, the pro forma loss after tax of £176 million was £248 million adverse to the prior half.

Net interest income decreased by £42 million (8.5%). The credit rating downgrade that occurred during the period resulted in lower margin money market and retail deposits being replaced by more expensive wholesale funding and retail term deposits. This resulted in higher wholesale and retail funding costs, coupled with higher liquidity costs. This was partially offset by higher lending income. The net interest margin reduced by 25 basis points to 2.11%.

Non interest income decreased by £32 million (31.1%), largely driven by lower fees and commissions.

Operating expenses decreased by £9 million (2.5%) over the prior period as the Group continued to demonstrate strong cost control despite the rate of inflation. The reduction was driven by lower personnel costs resulting from a reduction in FTEs and lower performance related remuneration. This was partially offset by additional amortisation of investment spend from prior periods.

Impairment losses on credit exposures have increased by £269 million (183.0%) over the prior period. This was primarily due to adverse performance in the commercial property related business lending portfolio which has seen rising losses as a result of the prolonged economic and market uncertainty, and ongoing weakness in the property market. This was partially offset by improvements in retail portfolio delinquency rates which have driven lower retail lending losses.

Average gross loans and acceptances increased by £0.5 billion (1.5%) to £33.7 billion due to growth in mortgages driven by the strategy to reshape the balance sheet. Mortgage growth of 7.6% was substantially higher than system growth of 0.4%*. Business lending and unsecured personal lending exposures are lower than the prior half.

Average retail deposits increased by £0.9 billion (3.9%), reflecting the impacts of a successful term deposit campaign designed to provide a stable source of retail funding. This was above system growth of 1.3%*.

Six month period to March 2012 v six month period to March 2011

The pro forma loss after tax for the period of £176 million was £221 million lower than in the March 2011 half. This reflected higher charges to provide for bad and doubtful debts and a reduction in net interest income due to higher funding costs.

Net interest income decreased by £37 million (7.6%), driven by higher wholesale and retail funding. This was partially offset by higher lending income. The net interest margin reduced by 25 basis points to 2.11%.

Non interest income decreased by £10 million (12.3%), driven by the impacts of providing for future credit losses on derivatives coupled with lower fees and commissions.

Operating expenses decreased by £16 million (4.4%) driven by lower personnel costs partially offset by additional amortisation costs.

* (Source: Bank of England – March 2012)

Business review (continued)

Pro forma financial analysis (continued)

Six month period to March 2012 v six month period to March 2011 (continued)

Impairment losses on credit exposures increased by £266 million (177.3%) when compared to the March 2011 half. This was driven by business lending losses as a result of the prolonged economic uncertainty and, in particular, weakness in the property market.

Average gross loans and acceptances increased by £1.1 billion (3.4%) due to above system mortgage growth. Business lending balances have remained flat on the comparable half. Unsecured personal lending volumes were down by 13.3% reflecting the subdued demand for credit in the current economic environment.

Average retail deposits increased by £0.8 billion (3.4%) driven by the successful term deposit campaign.

Investment spend

The Group continues to maintain its investment in the business at a similar level to that of prior years. This spend is focused on regulatory and compliance, efficiency and simplification and revenue generation categories.

Key achievements during the first half of the year included the completion of the outsourcing of the technical infrastructure and operational management of our ATM and Debit card channels as well as an enhanced Direct Banking offering through delivery of an on-line personal loans capability.

Completion of the Personal Current Account Fee and Business Lending programmes along with further enhancements to the Direct Banking offering will be significant areas of focus during the second half of the year.

Business review (continued)

Asset quality

	As at		
Provisions on credit exposures (£m)	**31 Mar 2012**	30 Sep 2011	31 Mar 2011
Specific provision for doubtful debts	**218**	131	98
Collective provision for doubtful debts	**383**	243	277
Specific provision on loans at fair value	**25**	15	37
Collective provision on loans at fair value	**133**	142	97
Past due and impaired assets (£m)			
90+ Days Past Due (DPD) assets	**265**	199	262
Gross impaired assets [(1)]	**1,006**	890	898
Asset quality measures (%)			
90 DPD plus gross impaired assets to gross loans and acceptances [(1)]	**3.79%**	3.23%	3.55%
Specific provision to gross impaired assets [(1)]	**24.2%**	16.5%	15.1%
Net write-offs to gross loans and acceptances (annualised)	**1.11%**	0.84%	0.85%
Total provision as a percentage of net write-offs [(2)]	**201%**	187%	185%
Total provision to gross loans and acceptances [(2)]	**2.26%**	1.58%	1.56%
Bad and doubtful debt charge to credit risk weighted assets	**3.31%**	1.14%	1.16%
Impairment provisions on credit exposures (£m) [(3)]			
Business lending	**538**	300	294
Retail lending	**63**	74	81
	601	374	375

	Six months to		
	31 Mar 2012	30 Sep 2011	31 Mar 2011
Impairment losses on credit exposures [(3)]	**£m**	£m	£m
Business lending	**392**	135	108
Retail lending	**24**	12	42
	416	147	150
Of which:			
Specific	**277**	180	161
Collective	**139**	(33)	(11)
	416	147	150

(1) Gross impaired assets for March 2012, September 2011 and March 2011 include £52m, £22m and £48m gross impaired fair value assets respectively.

(2) Total provision to gross loans and acceptances includes the credit risk adjustments on loans at fair value through profit or loss.

(3) Impairment provisions and impairment losses on credit exposures relate solely to Loans and Advances to Customers (see notes 11 and 12 to the interim condensed consolidated financial statements) and exclude the credit risk adjustments on loans at fair value through profit or loss which are incorporated in the movement in fair value assets in non interest income.

Business review (continued)

Asset quality (continued)

The prolonged period of weak economic and market conditions has resulted in deteriorating asset quality in the business lending portfolio in the period to March 2012, predominantly within the commercial property sector. Retail asset quality, including mortgages and unsecured personal loans, has improved and is showing a lower delinquency profile.

The total 90+ DPD balances have increased during the half year to March 2012 to £265 million, compared with £199 million at September 2011. This increase was in the business portfolio with the commercial property book accounting for the majority of the increase. There was also a material increase in the trading book 90+ DPD balance, reflecting the current stage of the economic cycle, and continued reductions in the home loan and unsecured portfolios.

The level of impaired assets has increased to £1 billion in the half year to March 2012 with the majority of the increase occurring in the second quarter. The commercial property business remains the largest component of the impaired asset portfolio as a result of the continued weak market conditions in this sector.

Following the recent deterioration of the business lending portfolio, management have reassessed the collective provision requirement resulting in an increase in the period. This was partly offset by a continued reduction in the personal lending collective provision driven by improvements in the delinquency profile and a reduction in unsecured personal lending balances.

The ratio of total provisions to gross loans and acceptances increased to 2.26% in March 2012, as growth in balance sheet provisions was faster than growth in the portfolio. The majority of the growth was in commercial property.

Capital position

The Group undertook active capital management during the period, including issuing £500 million of ordinary share capital. As a result, the Group's Total Tier 1 ratio increased to 10.3%, compared to 9.9% in September 2011, as measured under FSA rules. The Core Tier 1 capital ratio increased to 9.2%, from 8.9% in September 2011.

Regulatory capital	**As at**		
	31 Mar 2012	30 Sep 2011	31 Mar 2011
Tier 1 capital	**£m**	£m	£m
Permanent share capital	**1,442**	942	842
Profit and loss and other reserves [(1)]	**931**	1,236	1,271
Share premium account	**243**	243	243
Pension fund regulatory adjustments [(2)]	**(84)**	104	73
Perpetual non-cumulative preference shares	**300**	300	300
Deductions from Tier 1 capital	**(1)**	(2)	(1)
Total Tier 1 capital after deductions	**2,831**	2,823	2,728
Tier 2 capital			
Upper Tier 2 capital			
Revaluation reserves	**2**	2	2
General/collective provisions [(1)] [(3)]	**340**	243	288
	342	245	290
Lower Tier 2 capital			
Undated subordinated debt	**1,076**	1,276	1,276
Deductions from Tier 2 capital	**(1)**	(2)	(1)
Total Tier 2 capital after deductions	**1,417**	1,519	1,565
Total capital after deductions [(4)]	**4,248**	4,342	4,293

Business review (continued)

Capital position (continued)

Risk weighted assets [5]	As at 31 Mar 2012 £m	 30 Sep 2011 £m	 31 Mar 2011 £m
Retail mortgages	**5,905**	5,696	5,458
Business lending	**17,006**	17,794	17,957
Other retail lending	**1,161**	1,285	1,389
Other lending	**1,034**	1,113	1,064
Operational risk	**2,075**	2,075	2,102
Counterparty risk	**377**	443	391
Market risk	**-**	-	-
	27,558	28,406	28,361

Capital ratios			
Core Tier 1 ratio [6]	**9.2%**	8.9%	8.6%
Tier 1 ratio	**10.3%**	9.9%	9.6%
Total capital ratio	**15.4%**	15.3%	15.1%

(1) Includes the results for the period.

(2) For regulatory capital purposes, the pension fund deficit is added back to regulatory capital and substituted with an estimate of additional pension fund contributions to be made over the next five years, adjusted for deferred tax.

(3) The collective provision add back is limited for regulatory capital purposes.

(4) There is no Tier 3 capital.

(5) Risk weighted assets are calculated under the standardised approach.

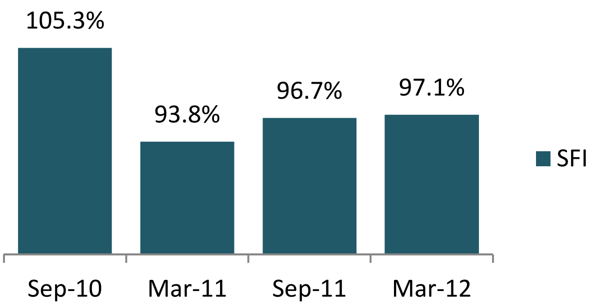
(6) Core Tier 1 capital is Tier 1 capital excluding perpetual non-cumulative preference shares.

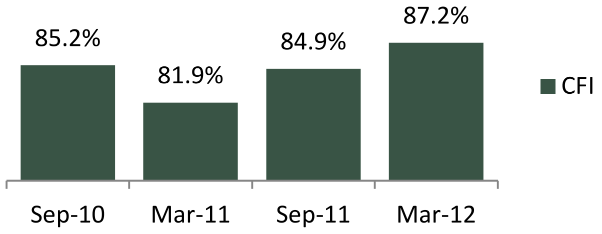
Regulatory capital to statutory equity reconciliation	As at 31 Mar 2012 £m	 30 Sep 2011 £m	 31 Mar 2011 £m
Regulatory Tier 1 capital	**2,831**	2,823	2,728
Reverse pension regulatory adjustments	**84**	(104)	(73)
Reverse deductions from capital	**1**	2	1
Revaluation reserves	**2**	2	2
Available for sale reserve	**14**	16	6
Cash flow hedge reserve	**100**	120	59
Share option reserve	**19**	14	9
SPE reserves	**2**	4	-
Other	**-**	2	-
Total equity	**3,053**	2,879	2,732

Business review (continued)

Funding

Stable funding and customer funding indices





The successful growth of the Group's retail deposits has improved the Customer Funding Index from 84.9% to 87.2% as at 31 March 2012. The Stable Funding Index (customer funding plus term debt) remains robust.

The Group continued to focus on enhancing its ability to raise term funding. This included re-structuring within the Covered Bond and Securitisation programmes which enabled the programmes to retain AAA ratings. This strong platform enabled Clydesdale to issue debt of £512 million from the Lanark Owner Occupier mortgage securitisation programme to investors in February 2012.

The Group remains diversified in terms of the type of instrument and product, currency, counterparty, term structure and markets that make up its wholesale funding base.

The Group's long-term credit ratings are summarised below:

	Outlook as at 24 May 2012	**As at**		
		31 Mar 2012	30 Sep 2011	31 Mar 2011
Fitch	**Stable**	**A**	AA-	AA-
Moody's	**Under review**	**A2**	A1	A1
Standard & Poor's	**Positive**	**BBB+**	A+	A+

Liquid assets

	As at		
	31 Mar 2012 £bn	30 Sep 2011 £bn	31 Mar 2011 £bn
UK Government Treasury Bills and Gilts	**1.3**	5.1	3.3
Cash and cash at central bank	**5.0**	4.5	2.3
Note cover *	**1.6**	1.6	1.5
Government guaranteed assets	**-**	0.3	1.0
Interbank lending	**0.1**	0.1	0.1
Treasury bills	**-**	0.4	1.6
Liquid assets	**8.0**	12.0	9.8

***** Note cover is excluded from FSA regulatory liquidity

The Group has reduced its holding of highly liquid assets during the period due to reduced reliance on short-term wholesale funding.

The Group continues to hold £100 million of Floating Rate Notes issued by the European Investment Bank and has no direct exposure to any European Sovereigns as part of its liquidity portfolio.

Business review (continued)

Customers, employees and community

The Group continues to support customers and the communities in which it operates, and with a range of charitable causes.

The Yorkshire and Clydesdale Bank Foundation provides financial support to several charities across the UK and has distributed over £0.3 million during the last six months. The charity partnership with Help the Hospices is now in its fifth year and over £2.1 million has been raised in this time. In addition, over 24% of employees currently donate to their chosen charities through Payroll Giving and the Group's Employee Volunteering Policy offers all employees the opportunity to take two days paid leave to work in the local community.

The Group has also invested £0.4 million since 2004 in its flagship community programme, "Count Me In" which focuses on numeracy and is delivered through local libraries across 19 local authorities in England and Wales. The Group has continued its sponsorship of the Clydesdale Bank Scottish Premier Football League and the England and Wales Cricket Board's domestic "40-over" competition during the period.

The Group is committed to high standards of customer service, adding value and supporting customers and employees. Customer acquisition levels have increased by 140% in the half, driven by market leading Term Deposit and Cash ISA campaigns.

During the period the Group won two "Your Mortgage" Awards, Yorkshire Bank was named "Best Regional Mortgage Lender" and Clydesdale Bank was named "Best Mortgage Lender in Scotland".

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge these interim condensed consolidated financial statements have 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.

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

The Group's strategy is to maintain a conservative approach to liquidity and funding which is demonstrated through improvements to Tier 1 and Total Capital ratios and maintaining a diverse funding base.

Michael Webber.

Michael Webber
Secretary
24 May 2012

Ernst & Young

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 2012 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes 1 to 25. 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 International Standard on Review Engagements 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 Bank, 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 Group 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 Clydesdale Bank PLC a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), "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 2012 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
24 May 2012

Interim condensed consolidated financial statements

Contents

Interim condensed consolidated income statement
for the six months ended 31 March 2012

	Note	**6 months to 31 Mar 2012 (unaudited) £m**	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Interest receivable and similar income		**737**	702	1,425
Interest expense and similar charges		**(285)**	(213)	(442)
Net interest income	4	**452**	489	983
Gains less losses on financial instruments at fair value		**(48)**	(47)	(89)
Other operating income		**129**	12	157
Non interest income	5	**81**	(35)	68
Total operating income		**533**	454	1,051
Personnel expenses		**(130)**	(131)	(265)
Depreciation expense		**(10)**	(10)	(15)
Efficiency, quality and service initiatives		**-**	-	(11)
Other operating expenses		**(227)**	(224)	(442)
Total operating expenses before impairment losses	6	**(367)**	(365)	(733)
Operating profit before impairment losses		**166**	89	318
Impairment losses on credit exposures	12	**(416)**	(150)	(297)
(Loss)/profit on ordinary activities before tax		**(250)**	(61)	21
Analysed as:				
(Loss)/profit before tax, pension scheme reforms benefit, PPI redress expense, FSCS levy and bank levy		**(253)**	59	144
Pension scheme reforms benefit	19	**130**	-	-
Payment Protection Insurance redress expense	17	**(120)**	(116)	(116)
Financial Services Compensation Scheme levy		**(7)**	(4)	(4)
Bank levy		**-**	-	(3)
(Loss)/profit on ordinary activities before tax		**(250)**	(61)	21
Tax credit/(expense)	7	**64**	18	(3)
(Loss)/profit for the period attributable to the equity holders of the parent		**(186)**	(43)	18

The treatment of PPI redress costs and the FSCS levy for the six months ended 31 March 2011 has been adjusted to conform to the current period and year ended 30 September 2011 presentation.

In accordance with Accounting Standards no provision has been made for the Bank Levy in the accounts to 31 March 2012. An appropriate amount will be provided in the Financial Statements to 30 September 2012 based on the balance sheet at that time.

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

The notes on pages 23 to 53 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of comprehensive income
for the six months ended 31 March 2012

	Note	**6 months to 31 Mar 2012 (unaudited) £m**	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
(Loss)/profit for the period		**(186)**	(43)	18
Other comprehensive (losses)/income				
Change in available for sale investments reserve		**(3)**	-	15
Taxation thereon		**1**	-	(5)
Change in cash flow hedge reserve		**(28)**	(98)	(19)
Taxation thereon		**8**	27	9
Actuarial (losses)/gains on defined benefit pension plans	19	**(132)**	142	49
Taxation thereon		**24**	(45)	(27)
Taxation on employee share compensation		**-**	(1)	(2)
Other comprehensive (losses)/income net of tax		**(130)**	25	20
Total comprehensive (losses)/income for the period net of tax		**(316)**	(18)	38
Attributable to equity holders of the parent		**(316)**	(18)	38

The notes on pages 23 to 53 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated balance sheet
as at 31 March 2012

	Note	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Assets				
Cash and balances with central banks		**6,598**	3,852	6,022
Due from related entities	8	**1,411**	3,013	4,950
Due from other banks		**15**	16	12
Investments – available for sale		**1,006**	1,797	1,110
Other financial assets at fair value	9	**4,974**	5,024	5,327
Derivative financial instruments	10	**400**	556	537
Loans and advances to customers	11	**28,196**	27,332	28,238
Due from customers on acceptances		**7**	7	7
Current tax assets		**86**	35	14
Property, plant and equipment		**144**	151	151
Investment properties		**80**	86	81
Property inventory		**9**	29	27
Investments in joint ventures and associates		**3**	2	3
Deferred tax assets	14	**149**	110	112
Other assets		**519**	952	661
Total assets		**43,597**	42,962	47,252
Liabilities				
Due to other banks	15	**676**	1,397	1,507
Other financial liabilities at fair value	9	**944**	661	1,005
Derivative financial instruments	10	**91**	55	81
Due to customers	16	**25,619**	27,808	28,170
Liabilities on acceptances		**7**	7	7
Provisions	17	**189**	131	108
Due to related entities	8	**8,648**	3,893	7,758
Bonds, notes and subordinated debt	18	**2,431**	4,031	3,553
Retirement benefit obligations	19	**90**	117	185
Deferred tax liabilities	14	**24**	16	32
Other liabilities		**1,825**	2,114	1,967
Total liabilities		**40,544**	40,230	44,373
Equity (parent entity interest)				
Share capital	20	**1,742**	1,142	1,242
Share premium account		**243**	243	243
Merger reserve		**338**	338	338
Share option reserve		**19**	9	14
Asset revaluation reserve		**2**	2	2
Available for sale investments reserve		**14**	6	16
Cash flow hedge reserve		**100**	59	120
Retained earnings		**595**	933	904
Total equity		**3,053**	2,732	2,879
Total liabilities and equity		**43,597**	42,962	47,252

The notes on pages 23 to 53 form an integral part of these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Board of Directors on 24 May 2012 and were signed on its behalf by:

Sir Malcolm Williamson
Chairman

David Thorburn
Chief Executive Officer

Interim condensed consolidated statement of changes in equity
for the six months ended 31 March 2012

	Note	Share Capital £m	Share Premium account £m	Merger reserve £m	Share option reserve £m	Asset revaluation reserve £m	Available for sale investments reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
At 1 October 2010 (audited)		942	243	338	1	2	6	130	885	2,547
Loss for the period		-	-	-	-	-	-	-	(43)	(43)
Other comprehensive income/(losses)		-	-	-	(1)	-	-	(71)	97	25
Total Comprehensive income/(losses) for the period		-	-	-	(1)	-	-	(71)	54	(18)
Dividends paid – preference shares		-	-	-	-	-	-	-	(6)	(6)
Shares issued – preference	20	200	-	-	-	-	-	-	-	200
Share options granted		-	-	-	9	-	-	-	-	9
As at 31 March 2011 (unaudited)		**1,142**	**243**	**338**	**9**	**2**	**6**	**59**	**933**	**2,732**
Profit for the period		-	-	-	-	-	-	-	61	61
Other comprehensive income/(losses)		-	-	-	(1)	-	10	61	(75)	(5)
Total Comprehensive income/(losses) for the period		-	-	-	(1)	-	10	61	(14)	56
Dividends paid – preference shares		-	-	-	-	-	-	-	(15)	(15)
Shares issued – ordinary	20	100	-	-	-	-	-	-	-	100
Share options granted		-	-	-	6	-	-	-	-	6
As at 30 September 2011 (audited) (1)		**1,242**	**243**	**338**	**14**	**2**	**16**	**120**	**904**	**2,879**
Loss for the period		-	-	-	-	-	-	-	(186)	**(186)**
Other comprehensive income/(losses)		-	-	-	-	-	(2)	(20)	(108)	**(130)**
Total Comprehensive income/(losses) for the period		-	-	-	-	-	(2)	(20)	(294)	**(316)**
Dividends paid – preference shares		-	-	-	-	-	-	-	(15)	**(15)**
Shares issued – ordinary	20	500	-	-	-	-	-	-	-	**500**
Share options granted		-	-	-	5	-	-	-	-	**5**
As at 31 March 2012 (unaudited)		**1,742**	**243**	**338**	**19**	**2**	**14**	**100**	**595**	**3,053**

(1) The closing balances as at 30 September 2011 have been audited; however, the movements in the individual six month periods to 31 March and 30 September 2011 are unaudited.

The notes on pages 23 to 53 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows
for the six months ended 31 March 2012

	Note	**6 months to 31 Mar 2012 (unaudited) £m**	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Operating activities				
(Loss)/profit on ordinary activities before tax		**(250)**	(61)	21
Adjustments for:				
Non cash or non operating items included in (loss)/profit before tax	22	**21**	(146)	(630)
Changes in operating assets	22	**20**	(234)	(1,304)
Changes in operating liabilities	22	**(3,736)**	(1,008)	32
Interest received		**875**	661	1,649
Interest paid		**(354)**	(137)	(553)
Tax paid		**(18)**	(19)	(13)
Net cash used in operating activities		**(3,442)**	(944)	(798)
Cash flows from investing activities				
Interest received		**7**	16	25
Proceeds from sale of investments		**49**	466	1,174
Proceeds from maturity of investments		**55**	-	-
Purchase of property, plant and equipment (including investment property and property inventory)		**(41)**	(18)	(41)
Proceeds from sale of property, plant and equipment (including investment property and property inventory)		**60**	7	33
Investment in joint ventures		**-**	-	(1)
Net cash provided by investing activities		**130**	471	1,190
Cash flows from financing activities				
Interest received		**10**	11	22
Interest paid		**(111)**	(64)	(141)
Proceeds from ordinary shares issued	20	**500**	-	100
Proceeds from preference shares issued	20	**-**	200	200
Redemption of subordinated debt	18	**(200)**	(250)	(250)
Maturity of medium term notes	18	**(1,250)**	-	(350)
Issuance of residential mortgage backed securities	18	**512**	-	-
Other movements in bonds and notes		**(184)**	(128)	(256)
Net decrease/(increase) in amount due from related entities		**3,539**	(174)	(2,111)
Net increase in amounts due to related entities		**890**	489	4,368
Dividends paid		**(15)**	(6)	(21)
Net cash provided by financing activities		**3,691**	78	1,561
Net increase/(decrease) in cash and cash equivalents		**379**	(395)	1,953
Cash and cash equivalents at the beginning of the period		**5,844**	3,891	3,891
Cash and cash equivalents at the end of the period	22	**6,223**	3,496	5,844

The notes on pages 23 to 53 form an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

1. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements for the six months ended 31 March 2012 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union (EU). They do not include all the information required by International Financial Reporting Standards (IFRS) in full annual financial statements and should be read in conjunction with the Annual Report and Consolidated Financial Statements for the year ended 30 September 2011 which were prepared in accordance with IFRS as adopted by the EU. Copies of these can be obtained from www.cbonline.co.uk/media/results-financial-information/

The information in these interim condensed consolidated financial statements is unaudited and does not constitute annual accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). Statutory accounts for the year ended 30 September 2011 have been delivered to the Registrar of Companies and contained an unqualified audit report under Section 495 of the Act, which did not draw attention to any matters by way of emphasis and they did not contain any statements under Section 498 of the Act.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. In addition, note 43 to the Annual Report and Consolidated Financial Statements for the year ended 30 September 2011 includes the Group's risk management objectives and note 44 to those Financial Statements includes the Group's objectives, policies and processes for managing its capital.

The Group has access to financial resources and a stable customer deposit base. The Group's ultimate parent, NAB, provides funding to the Group in the ordinary course of business. As a consequence the Directors have a reasonable expectation that the Bank and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

2. Accounting policies

The accounting policies adopted in the preparation of these 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 2011. Comparatives are presented on a basis that conforms to the current presentation.

Critical accounting estimates and judgements

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. There have been no significant changes to the bases upon which estimates have been determined from those applied in the Group's Annual Report and Consolidated Financial Statements for the year ended 30 September 2011, which are set out on pages 30 and 31 of those Statements.

Notes to the interim condensed consolidated financial statements (continued)

2. Accounting policies (continued)

Accounting developments

An overview of pronouncements that will be relevant to the Group in future periods is provided on page 45 of the Group's Annual Report and Consolidated Financial Statements for the year ended 30 September 2011.

The following Standards and amendments have been adopted in the current financial period. None of these Standards or amendments have had a material impact on these interim condensed consolidated financial statements.

- *Revision to IAS 24 Related Party Disclosures*, issued 4 November 2009 and effective for financial periods beginning on or after 1 January 2011. The revision provided clarification of the definition of related parties to enhance consistency; it also introduced a partial exemption for government related entities.

- *Amendment to IFRIC 14 Prepayment of a Minimum Funding Requirement*, issued 26 November 2009 and effective for financial periods beginning on or after 1 January 2011. The amendment permits early payments of minimum funding requirements into defined benefit pension schemes to be treated as an asset.

- *Amendment to IFRS 7 Financial Instruments: Disclosures*, issued 7 October 2010 and effective for financial periods beginning on or after 1 July 2011. The amendment sets out enhanced disclosure requirements around transfers of financial assets.

- *Improvements to IFRSs 2010*, issued 6 May 2010 and effective for financial periods beginning on or after 1 January 2011. This sets out minor amendments to IFRS Standards as part of the IASB's annual improvement process.

The following pronouncements have been issued since the publication of the Group's Annual Report and Consolidated Financial Statements for the year ended 30 September 2011 and are applicable to the Group in future financial periods. These pronouncements have not yet been adopted by the European Union.

- *Amendments to IFRS 7*, issued 16 December 2011 and effective for financial periods beginning on or after 1 January 2013.

- *Amendments to IAS 32*, issued 16 December 2011 and effective for financial periods beginning on or after 1 January 2014.

3. Segment information

The Group's operating and reportable segments are operating units engaged in providing different products or services and whose operating results are regularly reviewed by the entity's chief operating decision maker.

The Group's business is organised into two principal operating segments: Business and Private Banking (including business centres and small business customers) and Retail Banking. Business Banking, Retail Banking and Central Functions together represent UK Banking. The Group's Central Functions are Finance, Risk, Banking Delivery Services, Strategy, Legal, CEO Office Support, Funding and Treasury, Human Resources, and other functions which are not considered to be separate reportable operating segments.

Business and Private Banking

Business Banking comprises the Business and Private Bank operating segment which provides a range of banking products and services including loans and finance, day to day banking, wealth management, international services, treasury solutions and corporate and structured finance.

Retail Banking

Retail Banking provides a range of banking products and services including current accounts, mortgages, overdrafts, personal loans, savings accounts, insurances and financial planning.

Notes to the interim condensed consolidated financial statements (continued)

3. Segment information (continued)

Retail Banking (continued)

Business Banking, Retail Banking and Central and Other Functions together represent total UK Banking, the aggregate results of which are also regularly provided to the UK Executive Committee.

Further details of the Group's operating segments and how they are evaluated are contained within note 2 of NAB Group's Annual Report and Consolidated Financial Statements for the year ended 30 September 2011. The segment information below has been prepared on the same basis. The accounting policies of the operating segments are consistent with those described in note 2 to the Group Financial Statements at 30 September 2011.

Operating Segments 6 months ended 31 Mar 2012 (unaudited)	**Business £m**	**Retail £m**	**Central and Other Functions £m**	**UK Banking £m**
Net interest income	212	200	38	450
Other operating income	96	72	(26)	142
Operating income	308	272	12	592
Operating expenses	(68)	(74)	(206)	(348)
Impairment losses on credit exposures	(262)	(23)	3	(282)
Segment operating (loss)/profit	(22)	175	(191)	(38)
Tax credit/(expense)	6	(44)	51	13
Segment cash earnings after tax	**(16)**	**131**	**(140)**	**(25)**
Average assets	**20,974**	**12,025**	**13,353**	**46,352**

Operating Segments 6 months ended 31 Mar 2011 (unaudited)	**Business £m**	**Retail £m**	**Central and Other Functions £m**	**UK Banking £m**
Net interest income	216	206	59	481
Other operating income	102	78	(46)	134
Operating income	318	284	13	615
Operating expenses	(76)	(60)	(227)	(363)
Impairment losses on credit exposures	(108)	(38)	(5)	(151)
Segment operating profit/(loss)	134	186	(219)	101
Tax (expense)/credit	(35)	(48)	59	(24)
Segment cash earnings after tax	99	138	(160)	77
Average assets	20,953	11,038	12,797	44,788

Notes to the interim condensed consolidated financial statements (continued)

3. Segment information (continued)

Operating Segments 12 months ended 30 Sep 2011 (audited)	**Business** **£m**	**Retail** **£m**	**Central and other functions** **£m**	**UK Banking** **£m**
Net interest income	444	416	112	972
Other operating income	218	154	(85)	287
Operating income	662	570	27	1,259
Operating expenses	(153)	(154)	(419)	(726)
Impairment losses on credit exposures	(254)	(42)	-	(296)
Segment operating profit/(loss)	255	374	(392)	237
Tax (expense)/credit	(66)	(97)	109	(54)
Segment cash earnings after tax	189	277	(283)	183
Average assets	21,004	11,316	12,626	44,946

With effect from 1 October 2011 the small business channel was repointed from retail to business banking, and third party introduced mortgages and the Clydesdale Bank International branch were repointed to retail from business banking. The prior period comparatives have been re-presented to show the impact on the comparative periods.

Reconciliations between segment and statutory results are as follows:

Other segments and adjustments include deductions for the wealth management business and certain mid corporate lending on the NAB Group Wholesale Banking balance sheet, which are not part of Clydesdale Bank PLC. Also included are adjustments to bring in the Wholesale Banking business written on the Clydesdale Bank PLC balance sheet which is not included within UK Banking and reallocations of income statement items for statutory purposes. Wholesale Banking by virtue of its size, is not considered a reportable segment for the purposes of this note.

Reconciliation to statutory results **6 months ended 31 Mar 2012** **(unaudited)**	**UK Banking** **£m**	**Non-cash earnings items** **£m**	**Other segments and adjustments** **£m**	**Clydesdale Bank PLC** **£m**
Net interest income	450	-	2	452
Other operating income	142	(28)	(33)	81
Operating income	592	(28)	(31)	533
Operating expenses	(348)	(20)	1	(367)
Impairment losses on credit exposures	(282)	(150)	16	(416)
Operating loss	(38)	(198)	(14)	(250)
Tax credit	13	49	2	64
Cash earnings after tax	**(25)**	**(149)**	**(12)**	**(186)**
Items outside of UK Banking cash earnings after tax:				
Fair value and hedge ineffectiveness	(28)	28	-	-
Payment Protection Insurance redress	(91)	91	-	-
Impairment losses on credit exposures	(113)	113	-	-
Pension contribution from ultimate parent	98	(98)	-	-
Reorganisation and other costs	(15)	15	-	-
Loss after tax	**(174)**	**-**	**(12)**	**(186)**
Average assets	**46,352**	**-**	**(453)**	**45,899**

In addition, as discussed in the Strategic Review announcement dated 30 April 2012, there are adjustments outside of cash earnings which impact the Group's immediate parent National Australia Group Europe Limited ("NAGE"). NAGE will incur charges of £36m in relation to the impairment of intangible software assets and £141m in relation to goodwill (there is an additional amount in respect to goodwill within the ultimate parent company resulting from foreign exchange differences).

Notes to the interim condensed consolidated financial statements (continued)

3. Segment information (continued)

Reconciliation to statutory results 6 months ended 31 Mar 2011 (unaudited)	UK Banking £m	Non-cash earnings items £m	Other segments and adjustments £m	Clydesdale Bank PLC £m
Net interest income	481	-	8	489
Other operating income	134	(161)	(8)	(35)
Operating income	615	(161)	-	454
Operating expenses	(363)	-	(2)	(365)
Impairment losses on credit exposures	(151)	-	1	(150)
Operating profit/(loss)	101	(161)	(1)	(61)
Tax (expense)/credit	(24)	42	-	18
Cash earnings after tax	77	(119)	(1)	(43)
Items outside of UK Banking cash earnings after tax:				
Fair value and hedge ineffectiveness	(44)	44	-	-
Payment Protection Insurance redress	(75)	75	-	-
Loss after tax	(42)	-	(1)	(43)
Average assets	44,788	-	(572)	44,216

Reconciliation to statutory results 12 months ended 30 Sep 2011 (audited)	UK Banking £m	Non-cash earnings items £m	Other segments and adjustments £m	Clydesdale Bank PLC £m
Net interest income	972	-	11	983
Other operating income	287	(209)	(10)	68
Operating income	1,259	(209)	1	1,051
Operating expenses	(726)	-	(7)	(733)
Impairment losses on credit exposures	(296)	-	(1)	(297)
Operating profit/(loss)	237	(209)	(7)	21
Tax (expense)/credit	(54)	55	(4)	(3)
Cash earnings after tax	183	(154)	(11)	18
Items outside of UK Banking cash earnings after tax:				
Fair value and hedge ineffectiveness	(79)	79	-	-
Payment Protection Insurance redress	(75)	75	-	-
Profit/(loss) after tax	29	-	(11)	18
Average assets	44,946	-	(521)	44,425

The treatment for non-cash earnings after tax for the six months ended 31 March 2011 has been adjusted to conform to the current period and 30 September 2011 presentation.

4. Net interest income

	6 months to 31 Mar 2012 (unaudited) £m	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Interest income			
Loans and advances to other banks	**12**	8	19
Available for sale investments	**7**	16	25
Loans and advances to customers	**638**	609	1,238
Due from related entities (note 8)	**10**	11	22
Other interest income	**3**	1	2
	670	645	1,306
Financial assets at fair value through profit or loss	**67**	57	119
Total interest income	**737**	702	1,425
Interest expense			
Due to other banks	**4**	6	13
Financial liabilities at fair value through profit or loss	**1**	-	2
Due to customers	**161**	142	286
Bonds and notes	**19**	32	63
Due to related entities (note 8)	**93**	32	78
Other interest expense	**7**	1	-
Total interest expense	**285**	213	442
Net interest income	**452**	489	983

5. Non interest income

	6 months to 31 Mar 2012 (unaudited) £m	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Gains less losses on financial instruments at fair value			
Movement in fair value of assets	**(98)**	(221)	(109)
Interest rate derivatives	**38**	175	9
Foreign exchange derivatives	**11**	10	21
Ineffectiveness arising from fair value hedges	**1**	(4)	(6)
Ineffectiveness arising from cash flow hedges	**-**	(7)	(4)
	(48)	(47)	(89)
Other operating income			
Fees and commission	**(3)**	3	139
Net fair value movement on investment properties	**(5)**	-	1
Other income	**137**	9	17
	129	12	157
Total non interest income	**81**	(35)	68

Fees and commission income includes £4m (March 2011: £3m and September 2011: £9m) in relation to financial instruments at fair value through profit or loss and is reported net of charges of £120m (March 2011: £116m and September 2011: £116m) for Payment Protection Insurance redress costs.

Other income includes a contribution of £130m to the defined benefit pension scheme from the parent company, NAB (note 19).

5. Non interest income (continued)

The movement in fair value of assets incorporates valuation movements for certain financial assets which are designated at inception as fair value through profit or loss. These assets are predominantly fixed interest rate loans which are individually hedged. They are fair valued with the movements in fair value taken through the income statement as part of non interest income. The fair value of the loan is derived from the future loan cash flows using appropriate discount rates and includes adjustments for credit risk and credit losses. This valuation technique is reflective of current market conditions and therefore is regularly reviewed to ensure it appropriately captures the continued economic uncertainty and volatility currently being experienced in the markets.

As interest rates fall, the carrying value of the loan increases. Similarly, as interest rates increase, the carrying value of the loan decreases. To the extent that the fair value of the loan reflects movements in interest rates there will be an offsetting movement in the underlying derivative. Movements in the fair value of loans that relate to changes in the creditworthiness of the loan counterparty and the margin earned on the loan are not offset with a movement in the hedging derivative valuation. The difference in the fair value movement between the loan and derivative is the net present value of the credit margin.

6. Operating expenses

	6 months to 31 Mar 2012 (unaudited) £m	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Personnel expenses			
Salaries, wages and non cash benefits	**83**	92	192
Related personnel expenses	**8**	8	17
Defined contribution pension expense	**5**	5	10
Defined benefit pension expense	**13**	13	24
Equity-based compensation	**5**	9	15
Other personnel expenses	**16**	4	7
	130	131	265
Depreciation expense			
Depreciation of property, plant and equipment	**10**	10	15
Efficiency, quality and service initiatives			
Other personnel expenses	**-**	-	10
Other expenses	**-**	-	1
	-	-	11
Other operating expenses			
Operating lease rental	**19**	20	42
Other occupancy charges	**21**	20	41
Related entity recharges (note 8)	**141**	137	264
Other operating expenses	**46**	47	95
	227	224	442
Total operating expenses	**367**	365	733

7. Taxation

The tax assessed for the period differs from the standard rate of Corporation Tax in the UK (25%). A reconciliation from the charge implied by the standard rate to the actual tax charge is as follows:

	6 months to 31 Mar 2012 (unaudited) £m	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
(Loss)/profit on ordinary activities before tax	**(250)**	(61)	21
Tax (credit)/charge based on the standard rate of Corporation Tax in the UK of 25% (March and September 2011: 27%)	**(62)**	(16)	6
Effects of:			
Expenses not deductible for tax purposes	**1**	1	2
Bank levy	**-**	-	1
Rate differences	**(3)**	(2)	(5)
Adjustments in respect of prior periods	**(1)**	(2)	(2)
Other	**1**	1	1
Actual tax (credit)/expense for the period/year	**(64)**	(18)	3

8. Related party transactions

The Group is wholly owned by its immediate parent, NAGE, which heads the smallest group in which the results of the Group are consolidated. NAGE is incorporated in the UK and registered in England. The ultimate parent entity of the Group is NAB, which heads the largest group in which the Group's results are consolidated. NAB is incorporated in the State of Victoria, Australia.

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

The Group 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.

The 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 2012 (unaudited) £m**	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Loans			
Ultimate parent	**1,390**	2,985	4,921
Other receivables			
Ultimate parent	**7**	9	13
Controlled entities of the ultimate parent	**14**	19	16
	21	28	29
Total amounts due from related entities	**1,411**	3,013	4,950

Interest income of £10m was earned on loans to the ultimate parent in the six months ended 31 March 2012 (six months ended March 2011: £11m and year ended 30 September 2011: £22m).

8. Related party transactions (continued)

Reverse repurchase agreements

Included in amounts due from related entities is £351m (March 2011: £2,469m and September 2011: £4,284m) for securities purchased under agreements to resell. As part of these reverse repurchase agreements, the Group has received securities that it is allowed to sell or re-pledge. The fair value of the securities accepted under these terms as at 31 March 2012 amounts to £352m (March 2011: £2,461m and September 2011: £4,343m) for the Group, of which £Nil (March 2011: £Nil and September 2011: £204m) has been sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions. The Group is obliged to return equivalent securities on maturity of the transaction. These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing activities.

Amounts due to related entities	**31 Mar 2012 (unaudited) £m**	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Deposits			
Ultimate parent	**7,507**	2,765	6,606
Subordinated liabilities			
Ultimate parent	**550**	550	550
Controlled entities of the ultimate parent	**526**	526	526
	1,076	1,076	1,076
Other payables			
Ultimate parent	**25**	16	21
Controlled entities of the ultimate parent	**40**	36	55
	65	52	76
Total amounts due to related entities	**8,648**	3,893	7,758

Interest expense on amounts due to related entities	**6 months to 31 Mar 2012 (unaudited) £m**	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Ultimate parent	**87**	27	68
Controlled entities of the ultimate parent	**6**	5	10
Total interest expense on amounts due to related entities	**93**	32	78

Securitisation

The Group has securitised part of its residential mortgage portfolio and the cash raised via the issue of residential mortgage backed securities (RMBS) through special purpose entities forms part of the Group's medium term funding. A portfolio of Buy to Let mortgages has been securitised via the Lannraig Master Trust Issuer programme and a total of £491m (March 2011: £Nil and September 2011: £500m) of the securities issued have been purchased by the Group's ultimate parent.

Other transactions with related entities	**6 months to 31 Mar 2012 (unaudited) £m**	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Non interest income received			
Controlled entities of the ultimate parent	**4**	5	9
Administrative expenses (note 6)			
Ultimate parent	**4**	4	8
Controlled entities of the ultimate parent	**137**	133	256
	141	137	264

Notes to the interim condensed consolidated financial statements (continued)

9. Other financial assets and liabilities at fair value

Financial assets	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Other financial assets at fair value through profit or loss			
Loans and advances	**4,558**	4,715	4,846
Other derivatives			
Other derivative financial assets (note 10)	**260**	211	324
Derivative financial assets – related entities (note 10)	**156**	98	157
	416	309	481
Total other financial assets at fair value	**4,974**	5,024	5,327

Loans and advances

Included in other financial assets at fair value is a portfolio of loans which have embedded derivative characteristics. Interest rate risk associated with these loans is managed using interest rate derivative contracts, and the loans are recorded at fair value to avoid an accounting mismatch. The maximum credit exposure of the loans is £4,558m (March 2011: £4,715m and September 2011: £4,846m). The cumulative movement in fair value of the loans attributable to changes in credit risk amounts to £158m (March 2011: £134m and September 2011: £157m) and the change for the current period is £1m (March 2011: £3m and September 2011: £26m).

The designated loans are classified as level 2 in the fair value hierarchy as their value has been principally determined using directly observable inputs other than directly quoted prices. The expected changes in fair value of the designated loans attributable to credit risk are calculated using an established statistical based calculation to estimate expected losses attributable to adverse movements in credit risk. Management has announced the intention to cease further sales of this suite of loan products with effect from 30 April 2012. This is likely to reduce the level of inputs observable and so the loans are expected to be reclassified as at 30 September 2012 as level 3.

The most significant inputs impacting the carrying value of the loans other than interest rates are future expectations of credit losses and the expected payment profile of the loans. If the loans were to be repaid six months earlier than currently predicted the value would decline by £15m. Similarly, if the level of prepayment is less than expected the loan value would increase by up to £114m. If lifetime expected losses were 20% greater than predicted, the carrying value of the loans would decrease by £27m, and vice versa. There are inter-dependencies between a number of the key assumptions which add to the complexity of the judgements the Group has to make which mean that no single factor is likely to move independent of others; however, the sensitivities disclosed above assume all other assumptions remain unchanged.

Financial liabilities	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Other financial liabilities at fair value through profit or loss			
Due to customers – term deposits	**153**	120	155
Other derivatives			
Other derivative financial liabilities (note 10)	**47**	38	44
Derivative financial liabilities – related entities (note 10)	**744**	503	806
	791	541	850
Total other financial liabilities at fair value	**944**	661	1,005

The term deposits are classified as level 2 in the fair value hierarchy as their value is determined using directly observable inputs other than directly quoted prices.

10. Derivative financial instruments

Derivative financial instruments are disclosed as follows:

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Fair value of derivative financial assets			
Derivative financial assets	**400**	556	537
Other derivative financial assets (note 9)	**260**	211	324
Derivative financial assets – related entities (note 9)	**156**	98	157
	816	865	1,018
Fair value of derivative financial liabilities			
Derivative financial liabilities	**91**	55	81
Other derivative financial liabilities (note 9)	**47**	38	44
Derivative financial liabilities – related entities (note 9)	**744**	503	806
	882	596	931

The derivative financial instruments held by the Group are classified as level 2 in the fair value hierarchy as their value is determined using directly observable inputs other than directly quoted prices.

Derivative financial instruments held by the Group are further analysed as follows:

Total derivative contracts as at 31 March 2012 (unaudited)	**Contract amount £m**	**Fair value of assets £m**	**Fair value of liabilities £m**
Foreign exchange rate related contracts			
Spot, forward and futures contracts	**3,426**	**35**	**38**
Swaps	**2,208**	**360**	**6**
Options	**565**	**5**	**5**
	6,199	**400**	**49**
Interest rate related contracts			
Swaps	**47,223**	**382**	**764**
Swaptions	**431**	**12**	**13**
Options	**1,497**	**19**	**53**
	49,151	**413**	**830**
Commodity related contracts	**56**	**3**	**3**
Total derivative contracts	**55,406**	**816**	**882**

10. Derivative financial instruments (continued)

Total derivative contracts as at 31 March 2011 (unaudited)	Contract amount £m	Fair value of assets £m	Fair value of liabilities £m
Foreign exchange rate related contracts			
Spot, forward and futures contracts	4,501	54	66
Swaps	1,955	473	3
Options	519	7	7
	6,975	534	76
Interest rate related contracts			
Swaps	29,098	309	469
Swaptions	580	9	9
Options	3,439	12	41
	33,117	330	519
Commodity related contracts	14	1	1
Total derivative contracts	40,106	865	596

Total derivative contracts as at 30 September 2011 (audited)	Contract amount £m	Fair value of assets £m	Fair value of liabilities £m
Foreign exchange rate related contracts			
Spot, forward and futures contracts	5,328	92	56
Swaps	1,730	430	1
Options	572	9	9
	7,630	531	66
Interest rate related contracts			
Swaps	42,652	461	800
Swaptions	539	12	13
Options	2,072	13	51
	45,263	486	864
Commodity related contracts	40	1	1
Total derivative contracts	52,933	1,018	931

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

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 ("MTN") 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 cash flows reduce.

Notes to the interim condensed consolidated financial statements (continued)

11. Loans and advances to customers

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Overdrafts	**3,923**	4,218	4,075
Credit cards	**452**	502	483
Lease finance	**813**	973	901
Mortgages	**14,623**	13,132	13,981
Other term lending – business	**8,357**	8,190	8,503
Other term lending – retail	**761**	954	858
Other lending	**46**	19	30
Gross loans and advances to customers	**28,975**	27,988	28,831
Unearned income	**(110)**	(217)	(150)
Deferred and unamortised fee income	**(68)**	(64)	(69)
Impairment provisions on credit exposures (note 12)	**(601)**	(375)	(374)
	28,196	27,332	28,238

The Group has transferred £4,665m (March 2011: £1,872m and September 2011: £2,916m) of mortgages through securitisation arrangements that do not qualify for derecognition from the balance sheet (note 13). The mortgages do not qualify for derecognition because the Group remains exposed to the risks and rewards of ownership on an ongoing basis. Prior to any relevant hedging arrangements the Group continues to be exposed primarily to the credit risk, liquidity risk and interest rate risk of the mortgages. The Group is also exposed to the residual rewards of the mortgages as a result of its ability to benefit from the future performance of the mortgages through the receipt of deferred consideration. The carrying amount of the associated liability before transactional costs is £2,303m (March 2011: £1,561m and September 2011: £1,939m).

Included within loans and advances to customers are £1,995m (March 2011: £2,061m and September 2011: £2,260m) of mortgages assigned to two bankruptcy remote special purpose entities, Clydesdale Covered Bonds LLP and Clydesdale Covered Bonds LLP No 2. These loans provide security for issues of covered bonds made by the Group. These transactions do not qualify for derecognition from the balance sheet. At 31 March 2012 there were £600m (March 2011: £2,450m and September 2011: £600m) of covered bonds in issue under the covered bond programmes, which are held by the Group. As the covered bonds issued are held by the Group no accounting entries are required in these interim condensed consolidated financial statements.

The Group also has a portfolio of fair valued business loans and advances (note 9).

Maximum exposure to credit risk

The maximum exposure to credit risk is disclosed in note 23.

11. Loans and advances to customers (continued)

Distribution of loans and advances by credit quality

Retail lending	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Gross loans and advances:			
Neither past due nor impaired	**15,582**	14,341	14,988
Past due but not impaired	**345**	385	380
Impaired	**64**	50	71
	15,991	14,776	15,439

Business lending	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Gross loans and advances:			
Neither past due nor impaired	**11,670**	11,836	12,245
Past due but not impaired	**424**	576	350
Impaired	**890**	800	797
	12,984	13,212	13,392

Total lending	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Gross loans and advances:			
Neither past due nor impaired	**27,252**	26,177	27,233
Past due but not impaired	**769**	961	730
Impaired	**954**	850	868
	28,975	27,988	28,831

The distribution of loans and advances by credit quality can be further analysed as follows:

As at 31 March 2012 (unaudited)	**Retail overdrafts £m**	**Credit cards £m**	**Lease finance £m**	**Mortgages £m**	**Business lending * £m**	**Other retail lending £m**	**Total £m**
Gross loans and advances:							
Neither past due nor impaired	143	425	785	14,293	10,827	779	**27,252**
Past due but not impaired	12	27	19	266	417	28	**769**
Impaired	-	-	9	64	881	-	**954**
	155	**452**	**813**	**14,623**	**12,125**	**807**	**28,975**

As at 31 March 2011 (unaudited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	Business lending * £m	Other retail lending £m	Total £m
Gross loans and advances:							
Neither past due nor impaired	174	469	915	12,792	10,886	941	26,177
Past due but not impaired	15	33	40	290	551	32	961
Impaired	-	-	18	50	782	-	850
	189	502	973	13,132	12,219	973	27,988

Notes to the interim condensed consolidated financial statements (continued)

11. Loans and advances to customers (continued)

As at 30 September 2011 (audited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	Business lending * £m	Other retail lending £m	Total £m
Gross loans and advances:							
Neither past due nor impaired	104	455	855	13,620	11,337	862	27,233
Past due but not impaired	13	28	28	300	335	26	730
Impaired	-	-	18	61	789	-	868
	117	483	901	13,981	12,461	888	28,831

***** Business lending includes business overdrafts.

Restructured loans

Included within the impaired assets category are £68m (March 2011: £60m and September 2011: £63m) of restructured Business loans representing facilities which have been classed as restructured for reasons relating to the financial difficulty of the customer.

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 Group's customers. The Group has a single common master scale across all (business and retail lending) counterparties for probability of default. This probability of default master scale can be broadly mapped to external rating agencies and has performing (pre-default) and non-performing (post-default) grades. Impaired assets consist of retail mortgages with security insufficient to cover principal and arrears of interest revenue; business lending where there is sufficient doubt about the ultimate collectability of principal and interest; and off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

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 business lending credit quality of loans and advances that are neither past due nor impaired:

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Senior investment grade	**1,366**	1,644	1,473
Investment grade	**2,611**	2,220	2,496
Sub-investment grade	**7,693**	7,972	8,276
	11,670	11,836	12,245

For the business lending 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; and
- Sub-investment grade is ratings 12 to 23.

11. Loans and advances to customers (continued)

The loan to value (LTV) of retail mortgage lending coupled with the relationship of the debt to customers income are key to credit quality. The table below sets out the indexed loan to value analysis of the Group's retail mortgages:

	31 Mar 2012 (unaudited) %	31 Mar 2011 (unaudited) %	30 Sep 2011 (audited) %
Less than 50%	**21**	22	22
50% to 75%	**38**	34	36
76% to 80%	**9**	8	9
81% to 85%	**7**	8	7
86% to 90%	**6**	7	6
91% to 95%	**5**	6	6
96% to 100%	**4**	4	4
Greater than 100%	**5**	6	5
Unknown	**5**	5	5
	100	100	100

Loans and advances which were past due but not impaired

Loans and advances that are past due but are not impaired are classified as such for secured lending 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. The distribution of loans and advances that are past due but not impaired are analysed below:

As at 31 March 2012 (unaudited)	**Retail overdrafts £m**	**Credit cards £m**	**Lease finance £m**	**Mortgages £m**	**Business lending * £m**	**Other retail lending £m**	**Total £m**
1 to 29 days past due	7	13	19	84	225	13	**361**
30 to 59 days past due	2	3	-	70	24	5	**104**
60 to 89 days past due	1	3	-	28	4	3	**39**
Past due over 90 days	2	8	-	84	164	7	**265**
	12	**27**	**19**	**266**	**417**	**28**	**769**

As at 31 March 2011 (unaudited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	Business lending * £m	Other retail lending £m	Total £m
1 to 29 days past due	11	14	23	82	386	9	525
30 to 59 days past due	1	4	8	93	29	7	142
60 to 89 days past due	1	4	1	16	6	4	32
Past due over 90 days	2	11	8	99	130	12	262
	15	33	40	290	551	32	961

As at 30 September 2011 (audited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	Business lending * £m	Other retail lending £m	Total £m
1 to 29 days past due	8	14	25	102	231	8	388
30 to 59 days past due	2	3	2	74	10	5	96
60 to 89 days past due	1	3	1	37	1	4	47
Past due over 90 days	2	8	-	87	93	9	199
	13	28	28	300	335	26	730

***** Business lending includes business overdrafts

11. Loans and advances to customers (continued)

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:

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

12. Impairment provisions on credit exposures

6 months to 31 March 2012 (unaudited)	**Business lending £m**	**Retail lending £m**	**Total £m**
Opening balance	300	74	374
Charge for the period	392	24	416
Amounts written off	(161)	(38)	(199)
Recoveries of amounts written off in previous periods	7	3	10
Closing balance	**538**	**63**	**601**

6 months to 31 March 2011 (unaudited)	Business lending £m	Retail lending £m	Total £m
Opening balance	282	80	362
Charge for the period	108	42	150
Amounts written off	(106)	(48)	(154)
Recoveries of amounts written off in previous periods	10	7	17
Closing balance	294	81	375

12 months to 30 September 2011 (audited)	Business lending £m	Retail lending £m	Total £m
Opening balance	282	80	362
Charge for the year	243	54	297
Amounts written off	(242)	(91)	(333)
Recoveries of amounts written off in previous periods	17	31	48
Closing balance	300	74	374

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Amounts included in			
Loans and advances to customers (note 11)	**601**	375	374
Non accrual loans			
Loans and advances to customers	**954**	850	868
Specific provisions	**(218)**	(98)	(131)
	736	752	737

Notes to the interim condensed consolidated financial statements (continued)

13. Securitisation

Securitised advances are subject to non-recourse finance arrangements. These loans have been transferred at principal value to special purpose entities (SPEs) and have been funded through the issue of amortising mortgage backed securities to investors. The transfers do not meet the criteria for derecognition in IAS39 as the Group has retained the risks and rewards of the assets. The Group interim condensed consolidated financial statements include the results, assets and liabilities of the securitisation SPEs, on a line by line basis.

The balances of assets and liabilities in relation to securitisation notes in issue at 31 March 2012 within the Group's balance sheet are as follows:

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Assets			
Cross currency swaps on bonds and notes	**179**	224	204
Loans and advances to customers (note 11)	**4,665**	1,872	2,916
Accrued interest receivable	**30**	13	14
	4,874	2,109	3,134
Liabilities			
Bonds and notes (note 18)	**1,812**	1,561	1,439
Due to related entities (note 8)	**491**	-	500
Accrued interest payable	**33**	7	11
Derivative financial liabilities	**3**	-	-
	2,339	1,568	1,950

14. Deferred tax

The Group recognises deferred tax attributable to the following items:

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Deferred tax assets			
Defined benefit pension liability	**23**	34	48
Impairment provision on credit exposures	**20**	27	24
Employee equity based compensation	**5**	9	4
Provisions	**41**	30	26
Other	**60**	10	10
	149	110	112
Deferred tax liabilities			
Accelerated capital allowances	**(9)**	(8)	(10)
Net gain on revaluation of properties	**2**	2	2
Cash flow hedge reserve	**31**	22	40
	24	16	32

On 21 March 2012 the Chancellor announced a change to the UK rate of corporation tax which was substantively enacted on 26 March 2012. The announced corporation tax rate of 24% will be effective from 1 April 2012. Accordingly this rate has been used to calculate the deferred tax asset held by the Group. Further reductions of 1% per annum are anticipated until the rate reaches 22% in 2014. These additional changes will be enacted separately each year.

The maximum effect on deferred tax of the reduction in the UK corporation tax rate to 22% is expected to be £10m (equivalent to 2% of the closing gross deferred tax balance).

Notes to the interim condensed consolidated financial statements (continued)

15. Due to other banks

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Transaction balances with other banks	**14**	3	8
Securities sold under agreements to repurchase	**-**	524	510
Deposits from other banks	**662**	870	989
	676	1,397	1,507

16. Due to customers

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Non interest bearing demand deposits	**1,540**	1,339	1,370
Interest bearing demand deposits	**15,878**	16,291	16,816
Term deposits	**7,920**	6,517	6,586
Other wholesale deposits	**281**	3,661	3,398
	25,619	27,808	28,170

The £3,117m movement in other wholesale deposits was driven by wholesale counterparty action in response to the reduction in the Group's credit rating and is the principal factor behind the reduction in the Group's balance sheet in the period. This was partially offset by an increase in term deposit flows.

17. Provisions

	6 months to 31 Mar 2012 (unaudited) £m	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Payment Protection Insurance redress provision			
Opening balance	**102**	15	15
Charge to the income statement	**120**	116	116
Provision utilised	**(53)**	(11)	(29)
Closing balance	**169**	120	102
Reorganisation and other provisions			
Opening balance	**6**	12	12
Charge to the income statement	**16**	1	3
Provision utilised	**(2)**	(2)	(9)
Closing balance	**20**	11	6
Total provisions	**189**	131	108

The treatment of the provision for refunds of current account fees and associated costs for the six months ended 31 March 2011 has been adjusted to conform to the current period and year ended 30 September 2011 presentation.

Payment Protection Insurance redress

As at 31 March 2012, the Group is carrying a provision of £169m (March 2011: £120m and September 2011: £102m) to cover potential customer claims for refunds of premiums associated to the alleged mis-selling of Payment Protection Insurance (PPI) policies. The provision is based upon known pipeline cases and expectations of future claims. It is management's current best estimate of expected costs. During the half year to 31 March 2012, the provision was increased by an additional £120m. This reflects a marked increase in the level of complaints received in the period January to March 2012 and the impact on the estimate for future complaints that may be received.

17. Provisions (continued)

The provision reflects an assessment of future PPI claims based upon estimates; statistical analysis and assumptions in relation to a wide range of uncertain factors, including how many PPI claims will be made against Clydesdale Bank PLC, for what value, and the prospect of the mis-selling being established in relation to those claims. The final amount required to settle the potential liability is therefore uncertain. If the number of complaints was 10% higher or lower than that estimated, the provision would have increased/decreased by approximately £10m. If the average redress cost was 5% higher or lower than that estimated, the provision would have increased/decreased by approximately £6m. There are inter-dependencies between a number of the key assumptions which add to the complexity of the judgements the Group has to make which mean that no single factor is likely to move independent of others, however, the sensitivities disclosed above assume all other assumptions remain unchanged. The Group continues to keep the matter under review.

Reorganisation and other provisions

Following a review of Business Banking operations a reorganisation provision was recognised during the period. The provision covers the costs of streamlining operations, reductions in staffing levels and reconfiguration of distribution networks. The programme in relation to these activities continues to run and the provision is expected to be fully utilised by September 2012. The provision does not relate to the reorganisation in the Strategic Review announced on 30 April 2012.

Other provisions include provisions in respect of legal proceedings and claims arising in the ordinary course of the Group's business.

18. Bonds, notes and subordinated debt

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Medium term notes	**623**	2,264	1,898
Subordinated medium term notes	**-**	200	200
Residential mortgage backed securities (note 13)	**1,812**	1,561	1,439
Total bonds, notes and subordinated debt	**2,435**	4,025	3,537
Fair value hedge adjustments	**(4)**	6	16
	2,431	4,031	3,553

On 11 November 2011 £500m of medium term notes matured and a further £750m matured on 9 December 2011. On 29 February 2012 £512m of residential mortgage backed securities were issued. On 30 March 2012, the callable subordinated debt of £200m was redeemed.

19. Retirement benefit obligations

The Group is the sponsoring employer in one funded defined benefit scheme, the Yorkshire and Clydesdale Bank Pension Scheme ("the Scheme"). The Scheme is a fully sectionalised arrangement, put in place in 2009, where the discrete assets and liabilities of the two sections (Clydesdale and Yorkshire) are independently calculated in accordance with the previously existing scheme structures. The assets of the Scheme are held in trustee administered funds. The Group also provides post-retirement health care under a defined benefit scheme for pensioners and their dependent relatives for which provision has been made.

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Defined benefit assets	**2,506**	2,155	2,076
Defined benefit obligation	**(2,591)**	(2,267)	(2,256)
Net defined benefit pension scheme obligation	**(85)**	(112)	(180)
Post-retirement medical benefits obligation	**(5)**	(5)	(5)
Net retirement benefits obligation	**(90)**	(117)	(185)

The Group has implemented a number of reforms to the Scheme to control the liability, closing the Scheme to new members in 2004 and determining benefits accruing after April 2006 on a career average revalued earnings basis.

The Group is in the process of implementing additional reforms to the Scheme which are effective from April 2012. These include changing the inflation index used to determine benefit increases from the Retail Price Index (RPI) to the Consumer Price Index (CPI) for future accrual and introducing members' contributions into the Scheme, increasing annually over a three year period. As an alternative to contributions, employees have the option of reducing their future annual rate of accrual from 1/60th of salary to 1/80th.

Reconciliation of the movement in net defined benefit pension scheme obligation	**6 months to 31 Mar 2012 (unaudited) £m**	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Opening net defined benefit pension scheme obligation	**(180)**	(312)	(312)
Employer contribution	**240**	71	107
Total pension expense	**(13)**	(13)	(24)
Actuarial (loss)/gain per statement of comprehensive income	**(132)**	142	49
Closing net defined benefit pension scheme obligation	**(85)**	(112)	(180)

Employer contributions include a contribution of £130m from the parent company, NAB. This payment was negotiated with the Scheme Trustees and formed part of a series of actions by NAB which resulted in its withdrawal as a participating employer in the Scheme during January 2012. The withdrawal as a participating employer did not materially impact the liabilities as measured under IAS 19, and the contribution therefore improved the overall Scheme funding position. Consequently, the £130m contribution by NAB is recognised within the Group's income statement as at 31 March 2012.

20. Called up share capital

Allotted, called up and fully paid	6 months to 31 Mar 2012 (unaudited) £m	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Ordinary shares of £1 each			
Opening ordinary share capital	**942**	842	842
Issued during the period	**500**	-	100
Closing ordinary share capital	**1,442**	842	942
Preference shares of £1 each			
Opening preference share capital	**300**	100	100
Issued during the period	**-**	200	200
Closing preference share capital	**300**	300	300
Closing called up share capital	**1,742**	1,142	1,242

During the period, 500m ordinary shares of £1 each were issued at par, resulting in an increase of £500m of the allotted, called up and fully paid share capital.

The preference shares on issue have all been classified as equity instruments. Further details of the terms of the preference shares on issue can be found in note 31 of the Annual Report and Consolidated Financial Statements for the year ended 30 September 2011.

21. Contingent liabilities and commitments

The table below sets out the contractual amounts of contingent liabilities and commitments. Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts do not represent the amounts at risk at the balance sheet date but the amounts that would be at risk should the contracts 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.

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Contingent liabilities			
Guarantees and assets pledged as collateral security:			
At call	**-**	1	-
Due in less than 3 months	**59**	45	40
Due between 3 months and 1 year	**45**	57	46
Due between 1 year and 3 years	**53**	58	65
Due between 3 years and 5 years	**11**	6	10
Due after 5 years	**111**	123	109
No specified maturity	**15**	13	15
	294	303	285
Commitments			
Sale and option to repurchase transactions			
Due between 3 months and 1 year	**-**	500	500
Due between 3 years and 5 years	**312**	312	312
	312	812	812
Other commitments			
Undrawn formal standby facilities, credit lines and other commitments to lend at call	**10,110**	11,140	10,568

21. Contingent liabilities and commitments (continued)

Other contingent liabilities

The Group is named in and is defending a number of legal claims 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 UK Financial Services Compensation Scheme (FSCS) provides compensation to depositors in the event that a financial institution is unable to repay amounts due. Following the failure of a number of financial institutions, the FSCS has raised borrowings from the UK Government to cover compensation in relation to protected deposits. These borrowings are anticipated to be largely repaid from the realisation of the assets of the institutions. In the interim the FSCS has estimated levies due to 31 March 2013 from the banking industry to support interest payments on the borrowings, and an accrued expense of £11 million is presently held for the Group's calculated liability for this period. If the assets of the failed institutions are insufficient to repay the Government loan additional levies will become payable in future periods.

22. Notes to the interim condensed consolidated statement of cash flows

	6 months to 31 Mar 2012 (unaudited) £m	6 months to 31 Mar 2011 (unaudited) £m	12 months to 30 Sep 2011 (audited) £m
Non cash items included in the (loss)/profit before tax			
Interest receivable	**(737)**	(702)	(1,425)
Interest payable	**285**	213	442
Depreciation (note 6)	**10**	10	15
Profit on sale of land and buildings	**(3)**	-	(2)
Transfer from available for sale reserve	**(4)**	(1)	(5)
Transfer from cash flow hedge reserve	**-**	-	4
Derivative financial instruments fair value movements	**49**	175	30
Impairment losses on credit exposures (note 12)	**416**	150	297
Adjustment to carrying value of investments	**-**	-	(1)
Share options granted	**5**	9	15
	21	(146)	(630)
Changes in operating assets			
Net (increase)/decrease in:			
Balances with supervisory central banks	**(2)**	1	1
Due from other banks	**(3)**	(5)	(1)
Derivative financial instruments	**59**	(12)	153
Financial assets at fair value through profit or loss	**353**	274	46
Loans and advances to customers	**(374)**	(501)	(1,554)
Due from customers on acceptances	**-**	1	1
Other assets	**(13)**	8	50
	20	(234)	(1,304)
Changes in operating liabilities			
Net increase/(decrease) in:			
Due to other banks	**(1,041)**	(131)	148
Derivative financial instruments	**10**	(62)	(36)
Financial liabilities at fair value through profit or loss	**(61)**	(235)	109
Due to customers	**(2,551)**	(626)	(264)
Liabilities on acceptances	**-**	(1)	(1)
Provisions (note 17)	**81**	104	81
Defined benefit pension obligations	**(227)**	(57)	(83)
Other liabilities	**53**	-	78
	(3,736)	(1,008)	32

22. Notes to the interim condensed consolidated statement of cash flows (continued)

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

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Cash assets	**1,038**	898	951
Balances with central banks	**5,560**	2,954	5,071
Less mandatory deposits with central banks	**(31)**	(28)	(29)
Other assets	**152**	115	152
Due to other banks	**(384)**	(343)	(174)
Due to related entities	**(12)**	(26)	(12)
Other liabilities	**(100)**	(74)	(115)
	6,223	3,496	5,844

23. Financial risk management

Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

Fair value hedges

The Group hedges part of its existing interest rate and foreign currency risk from any decrease in the fair value of fixed rate assets or increase in fair value of fixed rate liabilities using interest rate and cross currency swaps. The net fair value of these swaps is disclosed in note 10. There were no transactions for which fair value hedge accounting had to be discontinued in the period.

Cash flow hedges

The Group hedges a portion of the variability in future cash flows attributable to interest rate risk arising from variable interest rate assets and liabilities using interest rate swaps, forward rate agreements and futures contracts. There were no transactions for which cash flow hedge accounting had to be discontinued in the period as a result of the highly probable cash flows no longer being expected to occur. The fair value of derivatives entered into is disclosed in note 10.

23. Financial risk management (continued)

Credit risk

Credit risk is inherent within any transaction that creates an actual or potential obligation for a borrower to pay the Group. Credit risk is the risk that a borrower will fail to meet its obligations to the Group in accordance with agreed terms.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees where appropriate.

Derivatives

The Group maintains control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements.

Credit-related commitments

Credit-related commitments are facilities where the Group is under a legal obligation to extend credit unless some event occurs, which gives the Group the right, in terms of the commitment letter of offer or other documentation, to withdraw or suspend the facilities. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry similar credit risk to loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss of an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Forbearance

Forbearance is temporary relief granted by a lender to enable customers in financial difficulty to mitigate or repay arrears on sustainable terms and ultimately aim to minimise the risk of losses for the Group and its customers. The Group operates a policy of providing forbearance to its customers when it is appropriate to their individual circumstances and the principal facilities it operates are noted below.

Temporary “rehabilitation” tools for customers in arrears or predelinquency including:
- Change in payment date.
- Change in payment method.
- Arrangement or short term promise to pay.
- Payment of fees/charges on behalf of the customer to protect security of the property.

Temporary “reduced repayment” tools for customers in arrears or predelinquency including:
- Reduced payment concession.
- Short term deferral of payment pending sale of property.
- Temporary transfer to interest only terms.
- Payment holidays/redraw of previous overpayments.

23. Financial risk management (continued)

Credit risk (continued)

Forbearance (continued)

Permanent forbearance tools resulting in contractual changes including:
- Extension of term.
- Permanent transfer to interest only terms.
- Capitalisation of arrears.

Hardship/repossession tools including:
- Government mortgage rescue schemes.
- Assisted sale/voluntary possession.

Temporary forbearance tools are utilised if the customer's financial difficulties are considered to be temporary and the anticipated return to the previous terms or completion of the sale of the property would lead to a full recovery by the Group. Permanent forbearance tools are used if the financial difficulties are considered to be longer term and use of forbearance leads to a preferable outcome through the maintenance of strong customer relationships and the avoidance of costs involved in alternative actions.

Retail home loans subject to forbearance are of low significance in the context of the Group's lending operations. The table below summarises the number of arrangements in place and the total balance associated with those arrangements.

	31 Mar 2012 (unaudited)		31 Mar 2011 (unaudited)		30 Sep 2011 (audited)	
	Number	**£m**	Number	£m	Number	£m
Permanent arrangements	**415**	**30**	630	46	615	44
Temporary arrangements	**101**	**8**	251	18	168	11
	516	**38**	881	64	783	55

When all other avenues of resolution including forbearance have been explored the Group will take steps to repossess and sell underlying collateral. In the six month period to 31 March 2012 there were 48 forced and 27 voluntary repossessions (six months to 31 March 2011: 49 forced and 28 voluntary and six months to 30 September 2011: 57 forced and 27 voluntary).

Maximum exposure to credit risk

The Group's credit exposure has been determined in accordance with capital adequacy guidelines. The Group has comprehensive credit risk management policies that restrict the level of exposure to any one borrower or group of borrowers, industries and countries. Unless otherwise noted, the amount that best represents the maximum credit exposure at reporting date is the carrying value of the financial asset.

Notes to the interim condensed consolidated financial statements (continued)

23. Financial risk management (continued)

Credit risk (continued)

Maximum exposure to credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through use of master netting and collateral agreements. The table also shows the maximum amount of commitments from its banking operations.

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Cash and balances with central banks	**6,598**	3,852	6,022
Due from related entities (note 8)	**1,411**	3,013	4,950
Due from other banks	**15**	16	12
Investments – available for sale	**1,006**	1,797	1,110
Other financial assets at fair value (note 9)	**4,974**	5,024	5,327
Derivative financial assets (note 10)	**400**	556	537
Loans and advances to customers (note 11)	**28,196**	27,332	28,238
Due from customers on acceptances	**7**	7	7
	42,607	41,597	46,203
Contingent liabilities (note 21)	**294**	303	285
Commitments (note 21)	**10,422**	11,952	11,380
Maximum credit risk exposure	**53,323**	53,852	57,868

The commitments balance includes sale and option to repurchase transactions and other commitments.

Credit quality of available for sale investments

The credit quality of the Group's available for sale investments, which are neither past due nor impaired, is as follows:

	31 Mar 2012 (unaudited) £m	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Senior investment grade	**999**	1,791	1,103
Investment grade	**7**	6	7
	1,006	1,797	1,110

Included in the available for sale securities at 31 March 2012 are £Nil (March 2011: £0.9bn September 2011: £0.06bn) investments in other banks' debt securities, which are subject to a UK Government backed guarantee plus £796m in UK Government Gilts and £100m in other banks' debt securities. The senior investment grade investments are listed and therefore classified as level 1 in the fair value hierarchy, the investment grade investments above are unlisted and as such are classified as level 3.

Eurozone risk

The Group has no material operations outside the UK and has no direct sovereign exposure to the peripheral Eurozone countries (Greece, Ireland, Italy, Portugal and Spain) (March 2011: Nil and September 2011: Nil). The Group had an exposure to the European Investment Bank of £100m at 31 March 2012 (March 2011: £100m and September 2011: £100m).

Notes to the interim condensed consolidated financial statements (continued)

23. Financial risk management (continued)

Industry concentration of assets

The following tables show the levels of industry concentration of the Group's assets:

Loans and advances to customers including loans designated at fair value through profit or loss	**31 Mar 2012 (unaudited) £m**	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Government and public authorities	**37**	39	34
Agriculture, forestry, fishing and mining	**1,837**	1,747	1,864
Financial, investment and insurance	**976**	882	1,110
Property – construction	**4,103**	4,636	4,436
Manufacturing	**994**	935	1,047
Instalment loans to individuals and other personal lending (including credit cards)	**2,477**	2,613	2,553
Property – mortgage	**14,623**	13,131	13,981
Asset and lease financing	**813**	973	901
Other commercial and industrial	**7,673**	7,747	7,751
	33,533	32,703	33,677

Available for sale investments	**31 Mar 2012 (unaudited) £m**	31 Mar 2011 (unaudited) £m	30 Sep 2011 (audited) £m
Government and public authorities	**-**	953	-
Financial, investment and insurance	**1,006**	844	1,110
	1,006	1,797	1,110

Notes to the interim condensed consolidated financial statements (continued)

23. Financial risk management (continued)

Maturity analysis of assets and liabilities

The following tables represent a breakdown of the Group's balance sheet according to the assets and liabilities contractual maturity. Many of the longer-term monetary assets are variable rate products, with actual maturities shorter than the contractual terms. Accordingly, this information is not relied upon by the Group in its management of interest rate risk.

The Group has disclosed certain term facilities with a revolving element at the maturity of the facility as this best reflects their contractual maturity.

31 March 2012 (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	5,560	-	-	-	-	1,038	**6,598**
Due from related entities	1,063	-	348	-	-	-	**1,411**
Due from other banks	-	15	-	-	-	-	**15**
Investments – available for sale	-	-	-	100	900	6	**1,006**
Other financial assets at fair value	-	115	490	2,025	2,344	-	**4,974**
Derivative financial assets	-	113	164	123	-	-	**400**
Loans and advances to customers	4,609	685	1,228	6,077	15,145	452	**28,196**
Due from customers on acceptances	-	7	-	-	-	-	**7**
All other assets	152	-	-	-	-	838	**990**
Total assets	**11,384**	**935**	**2,230**	**8,325**	**18,389**	**2,334**	**43,597**
Liabilities							
Due to other banks	196	463	17	-	-	-	**676**
Other financial liabilities at fair value	-	29	84	270	561	-	**944**
Derivative financial liabilities	-	1	7	5	78	-	**91**
Due to customers	15,410	2,701	4,106	3,397	5	-	**25,619**
Liabilities on acceptances	-	7	-	-	-	-	**7**
Due to related entities	53	177	4,650	2,201	1,567	-	**8,648**
Bonds, notes and subordinated debt	-	622	707	1,102	-	-	**2,431**
All other liabilities	100	-	-	-	-	2,028	**2,128**
Total liabilities	**15,759**	**4,000**	**9,571**	**6,975**	**2,211**	**2,028**	**40,544**

Notes to the interim condensed consolidated financial statements (continued)

23. Financial risk management (continued)

Maturity analysis of assets and liabilities (continued)

31 March 2011 (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	2,954	-	-	-	-	898	3,852
Due from related entities	544	-	2,469	-	-	-	3,013
Due from other banks	-	16	-	-	-	-	16
Investments – available for sale	-	-	-	1,797	-	-	1,797
Other financial assets at fair value	9	113	428	2,115	2,359	-	5,024
Derivative financial assets	-	2	44	497	1	12	556
Loans and advances to customers	5,273	2,060	948	4,537	14,012	502	27,332
Due from customers on acceptances	-	7	-	-	-	-	7
All other assets	115	-	-	-	-	1,250	1,365
Total assets	8,895	2,198	3,889	8,946	16,372	2,662	42,962
Liabilities							
Due to other banks	21	635	234	507	-	-	1,397
Other financial liabilities at fair value	-	37	39	209	376	-	661
Derivative financial liabilities	-	3	13	39	-	-	55
Due to customers	17,956	4,605	3,750	1,497	-	-	27,808
Liabilities on acceptances	-	7	-	-	-	-	7
Due to related entities	86	252	1,495	556	1,504	-	3,893
Bonds, notes and subordinated debt	-	350	1,250	2,231	200	-	4,031
All other liabilities	74	-	-	-	-	2,304	2,378
Total liabilities	18,137	5,889	6,781	5,039	2,080	2,304	40,230

30 September 2011 (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	5,071	-	-	-	-	951	6,022
Due from related entities	799	2,724	1,427	-	-	-	4,950
Due from other banks	-	12	-	-	-	-	12
Investments – available for sale	-	-	66	100	937	7	1,110
Other financial assets at fair value	-	167	437	2,147	2,576	-	5,327
Derivative financial assets	-	5	393	135	4	-	537
Loans and advances to customers	4,979	652	1,143	5,969	15,012	483	28,238
Due from customers on acceptances	-	7	-	-	-	-	7
All other assets	152	-	-	-	-	897	1,049
Total assets	11,001	3,567	3,466	8,351	18,529	2,338	47,252
Liabilities							
Due to other banks	238	655	614	-	-	-	1,507
Other financial liabilities at fair value	-	30	59	279	637	-	1,005
Derivative financial liabilities	-	-	16	2	63	-	81
Due to customers	16,672	5,838	4,044	1,616	-	-	28,170
Liabilities on acceptances	-	7	-	-	-	-	7
Due to related entities	34	1,153	2,415	2,151	2,005	-	7,758
Bonds, notes and subordinated debt	-	1,255	1,504	590	204	-	3,553
All other liabilities	115	-	-	-	-	2,177	2,292
Total liabilities	17,059	8,938	8,652	4,638	2,909	2,177	44,373

24. Capital management overview

The Group is governed by NAB Group's capital management policy. The objectives of the NAB Group's capital management policy are to efficiently manage the capital base to optimise shareholder returns whilst maintaining capital adequacy and satisfying key stakeholders such as regulators and ratings agencies.

The Group's prime objectives are to comply with the requirements set out by the FSA, the Group's primary prudential supervisor in relation to the management of capital, to provide a sufficient capital base to cover business risks, maintain a targeted credit rating and to support future business development.

The Group implemented Basel II requirements from 1 January 2008 in measuring operational and credit risks under the standardised approach. Under Pillar I of Basel II, the Group calculates its minimum capital requirements based on 8% of RWAs. The FSA then adjusts this requirement to cover risks under Pillar II of Basel II and generate an Individual Capital Guidance (ICG).

The ultimate responsibility for capital adequacy rests with the Board of Directors. The Group's Asset and Liability Committee (UK ALCO), which consists of an Executive Director, the Chief Financial Officer and other senior executives, is responsible for the management of the capital process including approving policy, overseeing internal controls and setting internal limits over capital ratios.

The Group actively manages its capital position and reports this on a regular basis to senior management via UK ALCO and other governance committees. Capital requirements are included within an annual capital management plan with initiatives being executed against this plan.

25. Events after the balance sheet date

As noted on page 2, the Group undertook a Strategic Review. It announced the outcome of the Strategic Review on 30 April 2012. The key conclusions were as follows:

- simplify the business model to focus on retail operations and SME business lending primarily in Scotland and Northern England;
- improve the balance sheet structure by transferring the vast majority of commercial property assets to NAB in the first half of the 2013 financial year (as at 31 March 2012 the portfolio to be transferred has an outstanding balance before provisions of approximately £6.2bn); and
- place the transferred portfolio into run-off to be managed separately.

An estimated £139m will be incurred in the half ending 30 September 2012 relating to redundancy, lease break fees and other costs.

At 30 September 2012, the assets will be disclosed separately as held for sale (as required by IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations). All of the assets subject to the proposed transfer are included within the business banking segments (note 3).

Glossary

Term	Description
APRA	Australian Prudential Regulatory Authority.
Arrears	A customer is in arrears when they fail to adhere to their contractual payment obligations resulting in an outstanding loan that is unpaid or overdue.
Average assets	Represents the average of assets over the period adjusted for any disposed operations.
Bank	Clydesdale Bank PLC.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision in June 2006 in the form of the "International Convergence of Capital Measurement and Capital Standards".
Basel III	In December 2010, the Basel Committee issued final rules "Basel III: A global regulatory framework for more resilient banks and banking systems" and "Basel III: International framework for liquidity risk measurement, standards and monitoring". Together these documents present the Basel Committee's reforms to strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector. The new requirements will be phased in starting 1 January 2013 with full implementation by 1 January 2019.
Cash earnings	A non Generally Accepted Accounting Principles (GAAP) key performance measure that excludes certain items within the calculation of net profit attributable to owners of the Group. It is also a key performance measure used by the Australian peers of the ultimate parent with a similar business portfolio. These specified items are excluded in order to better reflect what is considered to be the underlying performance of the Group. Net profit attributable to owners of the Group Adjusted for: Distributions Treasury shares Fair value and hedge ineffectiveness Payment Protection Insurance provision charge Efficiency, quality and service initiatives ("EQS") Litigation expense Property revaluationGoodwill impairment Software impairment
Collective impairment provision	Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.
Contractual maturities	The date on which the final payment (principal or interest) of any financial instrument is due to be paid, at which point all the remaining outstanding principal and interest have been repaid.
Core Tier 1 capital	The highest quality form of regulatory capital that comprises total shareholders' equity (excluding preference shares issued) and related non-controlling interests, less goodwill and intangible assets and certain other regulatory adjustments.
Credit enhancements	Facilities used to enhance the creditworthiness of financial obligations and cover losses due to asset default.

Glossary (continued)

Credit risk	Risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract. It arises mainly from direct lending, trade finance and leasing business, but also from products such as guarantees, derivatives and debt securities.
Credit risk adjustment	An adjustment to the valuation of over the counter (OTC) derivative contracts to reflect the creditworthiness of OTC derivative counterparties. Can also be known as a credit value adjustment (CVA).
Customer deposits	Money deposited by account holders. Such funds are recorded as liabilities.
Debt restructuring	A restructuring by which the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.
Delinquency	See "Arrears".
Efficiency, quality and service initiatives	Represent those costs that the Group accelerated in response to the economic downturn to bring forward efficiency gains that would otherwise have been realised in subsequent periods.
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
Fair value	Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Fair value adjustment	An adjustment to the fair value of a financial instrument which is determined using a valuation technique (level 2 and level 3) to include additional factors that would be considered by a market participant that are not incorporated within the valuation model.
Fair value and hedge ineffectiveness	Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.
Forbearance	The term generally applied to the facilities provided to assist borrowers who are experiencing a period of financial stress with the ultimate aim in a retail context of minimising the risk of customers losing their home and can take a variety of forms such as negotiating an arrangement or short term promise to pay, transfer to interest only terms, or term extensions.
FSA	Financial Services Authority.
FSCS	Financial Services Compensation Scheme.
Funding risk	A form of liquidity risk arising when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.
Group	Clydesdale Bank PLC and its controlled entities.
IFRS	International Financial Reporting Standards.

Glossary (continued)

Impaired loans	Retail mortgages with security insufficient to cover principal and arrears of interest revenue; business lending where there is sufficient doubt about the ultimate collectability of principal and interest; and off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.
Impaired losses	Where an asset's recoverable amount is less than its carrying value and the difference recognised in the income statement with the carrying value of the asset reduced by creating an impairment allowance. This may be assessed at either the individual level or collectively.
Impairment allowances	A provision held on the balance sheet to recognise that a loan is impaired. This can be at either the individual or collective level.
Internal Capital Adequacy Assessment Process ("ICAAP")	The Group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints.
Internal ratings-based approach ("IRB")	A method of calculating credit risk capital requirements using internal, rather than supervisory, estimates of risk parameters.
Investments - AFS	Investments - available for sale.
Investments - HTM	Investments - held to maturity.
IRB advanced approach	A method of calculating credit risk capital requirements using internal PD (probability of default), LGD (loss given default) and EAD (exposure at default) models.
IRB foundation approach	A method of calculating credit risk capital requirements using internal PD models but with supervisory estimates of LGD and conversion factors for the calculation of EAD.
IRRBB	Interest rate risk in the banking book.
Key management personnel	Directors of the Group, members of the UK Executive Committee and FSA approved persons with a controlled function 1 – 29 (as defined in the FSA handbook available at www.fsahandbook.info/FSA/html/handbook/).
Level 1	Financial instruments with quoted prices for identical instruments in active markets.
Level 2	Financial instruments with quoted prices for similar instruments in active and financial instruments valued using models where all significant inputs are observable.
Level 3	Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.
LIBOR	London Interbank Offered Rate.
Liquidity risk	The risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.
Loan-to-value ratio ("LTV")	A mathematical calculation that expresses the amount of the loan as a percentage of the value of security. A high LTV indicates that there is less cushion to protect the lender against asset price falls or increases in the loan if repayments are not made and interest is added to the outstanding loan balance.

Glossary (continued)

Market risk	The risk that movements in market risk factors, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices, will reduce income or portfolio values.
Medium term notes ("MTNs")	Notes issued by corporates including financial institutions across a range of maturities. MTNs are frequently issued by corporates under MTN Programmes whereby notes are offered on a regular and continuous basis to investors.
NAB	National Australia Bank Limited. A company incorporated in the State of Victoria, Australia. The ultimate parent of Clydesdale Bank PLC.
NAGE	National Australia Group Europe Limited. A company incorporated in the UK and registered in England. The immediate parent of Clydesdale Bank PLC.
Net interest income	The amount of interest received or receivable on assets net of interest paid or payable on liabilities.
Net interest margin	Net interest income as a percentage of average interest earning assets.
Net profit attributable to owners of the Group	Represents the Group's statutory profit after tax and reflects the amount of net profit that is attributable to owners.
Non-impaired assets 90+ days past due	Non-impaired assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
Non-retail deposits and other borrowings	Comprises other wholesale deposits, certificates of deposits, securities sold under agreements to repurchase and borrowings.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.
Past due loans and advances	Loans and advances on which repayments are overdue.
PPI	Payment Protection Insurance.
Probability of default ("PD")	The probability that an obligor will default within a one-year time horizon.
Property revaluation	Represents revaluation increments and decrements of land and buildings based on Directors' valuations to reflect fair value.
Regulatory capital	The capital which the Group holds, determined in accordance with rules established by APRA for the consolidated NAB Group and by local regulators (in the UK the FSA) for individual Group companies.
Residential mortgage-backed securities ("RMBSs")	Securities that represent interests in groups of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Glossary (continued)

Restructured loans	A restructured loan is where the terms and conditions of a contract have been varied that may involve one or both of the following: - the original scheduled repayment contract has been re-written by changing the frequency and pattern of repayments with a lengthening of the final repayment/maturity profile on a non-commercial basis (e.g. non market extension of principal repayment period); - the Group has previously made a specific provision for the customer/obligor and written off the debt in part or converted the debt to a changed obligation in exchange for realisable assets not previously held or a debt for equity swap. See also forbearance.
Retail loans	Money lent to individuals rather than institutions. This includes both secured and unsecured loans such as residential mortgages, overdrafts and credit card balances.
Risk appetite	An assessment of the types and quantum of risks to which the Group wishes to be exposed.
Risk weighted assets	On and off balance sheet assets of the Group are allocated a risk weighting based on the amount of capital required to support the asset.
Sale and repurchase agreement ("repo")	A repo is a short-term funding agreement that allows a borrower to create a collateralised loan by selling a financial asset to a lender. As part of the agreement the borrower commits to repurchase the security at a date in the future repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or a reverse repo.
Securitisation	Structured finance transaction which involves pooling and packaging cash flow converting financial assets into securities that can be sold to investors. It provides a mechanism that assists the Group in reducing funding costs by providing the investor with access to security / collateral.
Scheme	The Yorkshire and Clydesdale Bank Pension Scheme.
Sovereign exposures	Exposures to governments, ministries, departments of governments, embassies, consulates and exposures on account of cash balances and deposits with central banks.
Special Purpose Entity ("SPE")	An entity created to accomplish a narrow well-defined objective (e.g. securitisation of financial assets). An SPE may take the form of a corporation, trust, partnership or unincorporated entity. SPEs are often created with legal arrangements that impose strict limits on the activities of the SPE. These can also be known as Special Purpose Vehicles ("SPVs").
Specific impairment provision	A specific provision relates to a specific loan, and represents the estimated shortfall between the carrying value of the asset and the estimated future cash flows, including the estimated realisable value of securities after meeting securities realisation costs.

Glossary (continued)

Standardised approach	In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions ("ECAI") ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Subordinated liabilities	Liabilities which rank after the claims of other creditors of the issuer in the event of insolvency or liquidation.
Tier 1 capital	A component of regulatory capital, comprising core Tier 1 and other Tier 1 capital. Other Tier 1 capital includes qualifying capital instruments such as non-cumulative perpetual preference shares and hybrid capital securities.
Tier 2 capital	A component of regulatory capital, comprising qualifying subordinated loan capital, related non-controlling interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties.
Tier 1 ratio	Tier 1 capital, as defined by the FSA, divided by risk weighted assets.
Tier 2 ratio	Tier 2 capital, as defined by the FSA, divided by risk weighted assets.
UK	United Kingdom of Great Britain and Northern Ireland.
Value-at-risk ("VAR")	A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.
Wholesale lending	Money lent to sovereign borrowers, banks, non-bank financial institutions and corporate entities.
Write-down	Reduction in the carrying value of an asset due to impairment or fair value movements.

Other information

Website	cbonline.co.uk
Media	Press office 0845 603 5447 press.office@eu.nabgroup.com
National Australia Bank	NAB Group results are available from www.nabgroup.com.au