

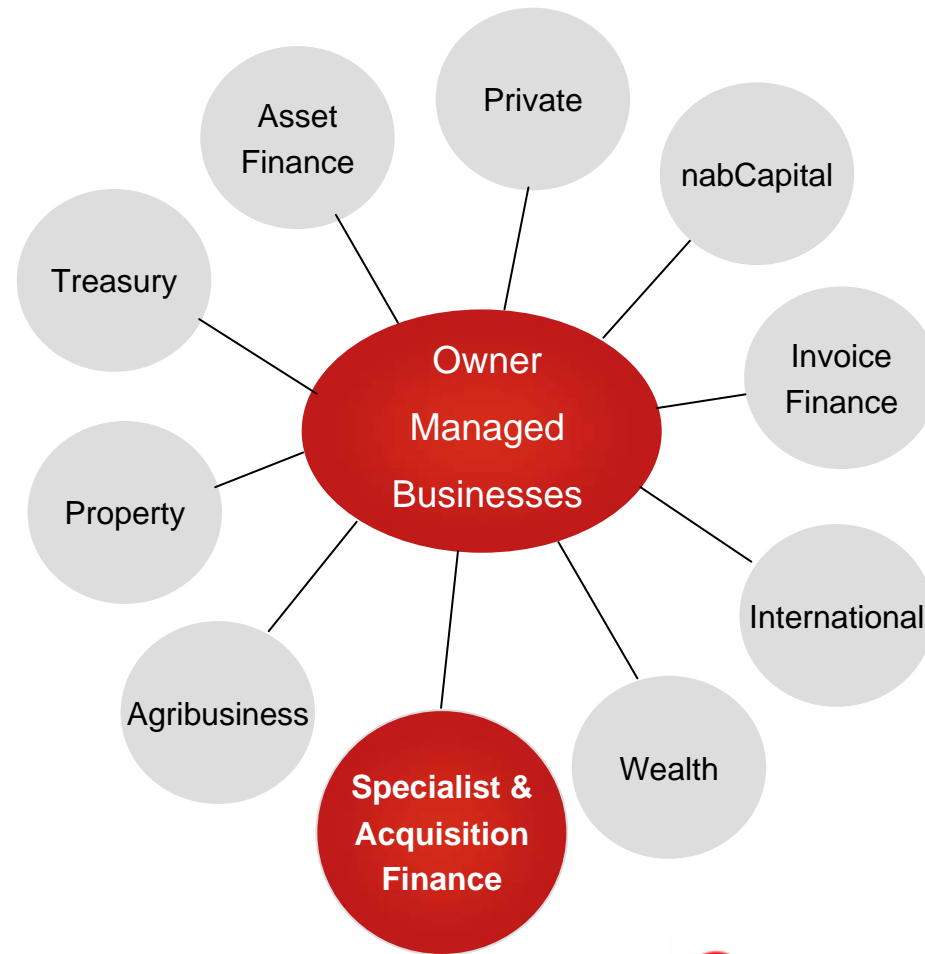
Specialist & Acquisition Finance

David Thorburn and Jack Ogston

4th July 2007



Specialist Business



Overview of UK Acquisition Finance Market



- Types of transaction
- Size of UK market
- Players in market
- Clydesdale/Yorkshire Bank's position of choice
- Example of deal structure

Deal Structure Example

- Service business where existing owner wishes to exit
- Business valued at £10m and Management Buy Out funded as follows;
 - Private Equity - £3.5m
 - Bank debt - £6.5m split as follows;
 - Invoice Finance - £3.0m
 - Term Loan - £3.5m repayable over 5 years

Our Journey



- Reactive to requests from existing members
- Loss of members & new opportunities
- 2004 aligned strategy to iFS
- 2006 national structure launched
- Structure chart

SAF Structure



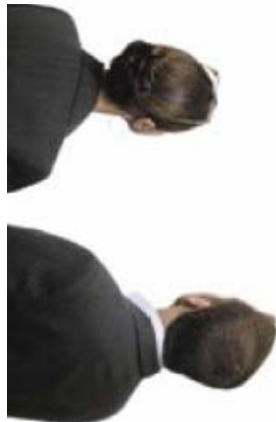
Integration With iFS & nabCapital



- SAF is a source of new income for iFS
- Enables the retention of existing members
- Increases market share through attraction of new relationships with trading businesses
- Transactions undertaken are ideally suited to our integrated proposition
- Introductions are also made to nabcapital
- Deals written are media friendly therefore create halo effect

Deal Sheet Example

<p>MUNRO</p> <p>Scotland's largest independent pharmacy business</p> <p>£20m Acquisition Finance</p> <p><small>Clydesdale Bank</small></p>	<p>MUNRO</p> <p>A supplier of top quality food products to hotels, restaurants & public houses</p> <p>£17m Management Buy-Out</p> <p><small>Clydesdale Bank</small></p>	<p>Highland Airways</p> <p>Inverness based regional airline</p> <p>£3.1m Management Buy-Out</p> <p><small>Clydesdale Bank</small></p>
<p>Emergency One <small>www.emergencyone.co.uk</small></p> <p>UK's leading manufacturer of fire engines</p> <p>Management Buy-Out</p> <p><small>Clydesdale Bank</small></p>	<p>European Care Group</p> <p>Nursing home group acquisition by European Care</p> <p>£9m Acquisition Finance</p> <p><small>Clydesdale Bank</small></p>	<p>energy environmental ltd</p> <p>Manufacturer and supplier of oil spill equipment</p> <p>Acquisition of Vikoma International Limited</p> <p><small>Clydesdale Bank</small></p>



Deals done differently

Welcome to a bank that looks at things from your point of view. As our recent deals demonstrate, we're always interested in helping to create new opportunities. Contact our Specialist & Acquisition Finance team and discover what we can do for your business.

Jack Ogston, Head of Scotland, 0141 242 4236.

Graham Cuning, Area Director – West, 0141 242 4244.

David Henderson, Area Director – East, 0131 456 4415.

Craig Yeoman, Area Director – North, 01224 657 948.

Clydesdale Bank

www.CBOnline.co.uk/Acquisitionfinance

©2007
EXP xxxxxx

Clydesdale Bank PLC is authorised and regulated by the Financial Services Authority.
Registered in Scotland (Number SC001111).
Registered Office: 30 St Vincent Place, Glasgow G1 2HL.
A member of the National Australia Bank Group of companies.

Reasons for Success



- Integration through one stop shop model
- Mix of skills in teams
- Use of “A team” in all transactions
- Size is an advantage
- Dedicated credit team who are externally visible
- Hunger to win deals

Managing the Risk



1. Experienced teams
 - a) Front line
 - b) Credit
 - c) Relationship managers
2. Early warning system flags up credit quality issues
3. Full relationship banking model gives whole picture
4. Risk/reward is paramount
5. Track record is strong

Challenges



- Market perception of CYB's credit culture
- Market perception of CYB's preferred deal size
- Recruitment hard in a buoyant market
- Now on competitors' radar

Growth in the SAF Business

	2004	NOW
Members of Team	8	60

	6 months to 30/9/06	6 months to 31/3/07
Number of deals completed	46	71
Volume of deals completed	£185m	£293m

	6 months to 30/9/06	6 months to 31/3/07
New members attracted	22	36

Deal Example

- Service company
- 2001 won from competitor
- Small Hunting License
- We demonstrated interest in /understanding of business
- We fielded “A Team”
- Mutual benefits
- Significant support for MBO/Acquisitions
- Reputational impact

Deal Example

- IT Services provider
- MBO (owner no longer involved and wanting to realise capital)
- Funded by debt (CB) and private equity
- Complex business – own customers, and those provided by 3rd parties (e.g. Dell)
- Deal meant new to bank member (won in competition with RBS)
- Good example of iFS in action – SAF, IF, Credit, Treasury & Personal Banking
- Member so impressed with our work, that they recommended us to vendor who put purchase price on deposit (self funding deal)

Deal Example



- £6m share restructure of global supplier of niche products
- Business bought out of insolvency in 2002 and now highly profitable
- We initiated the deal by suggesting a share restructure
- Won in competition to RBS, existing bankers
- We had fully approved Credit Terms out to member before incumbent bank

What Our Members Say

“The team at Clydesdale Bank understood and supported our acquisition requirements thoroughly. Because of this we had confidence that the differences emerging from detailed negotiations were kept in context and the bank remained committed to deliver.”

“It was a really complex deal and the team at Clydesdale Bank were excellent. They handled the approval process quickly and they stuck to what they said they would deliver”


“ We felt we could connect with Clydesdale Bank and I think that was to do with their approach. We built up a good relationship and a high level of trust. It felt like a partnership”

“Clydesdale were really the first people who spoke to us about the possibility of an MBO, and when we were looking to do the deal, they came up with the goods very speedily,”

“More like friends than bankers as they helped me through the process”

“ We felt that Clydesdale Bank understood what we were trying to achieve and were thoroughly supportive about the buyout process and our goals. They offered us a unique funding solution”

What's Next?



- Natural momentum
- Do what we do better
- Capital solutions
- Sector specialism

Summary



- Acquisition finance market in UK currently buoyant & competitive
- CYB moved from very low base to serious player in short space of time
- We are fully integrated as part of iFS
- Growth is being prudently managed
- Challenges but opportunities

Comments / Questions?



Specialist & Acquisition Finance



Disclaimer

•This document is a presentation of general background information about the Group's activities current at the date of the presentation, July 2007. It is information in a summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

•This document contains certain "forward-looking statements" within the meaning of Section 21E of the US Securities Exchange Act of 1934 and the US Private Securities Litigation Reform Act of 1995. The words "anticipate", "believe", "expect", "project", "estimate", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of and guidance on future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. For further information relating to the identification of forward-looking statements and important factors that could cause actual results to differ materially from those projected in such statements, see "Presentation of Information - Forward-Looking Statements" and "Risk Factors" in the Group's Annual Report on Form 20-F filed with the US Securities & Exchange Commission.