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No 14259

MIDLAND BANK plc

M I D L A N D G R O U P

Annual Report and Accounts 1990

COMPANIES ACT 1985
COMPANIES ACT 1985
LONDON
13 JUN 1991
105

MIDLAND GROUP

FINANCIAL SUMMARY

	1990 £m	1989 £m
Results for the year		
Profit before exceptional charges and taxation	63	616
Exceptional charges	(52)	(877)
Profit/(loss) before taxation	11	(261)
Loss attributable	(181)	(219)
Deficit	(251)	(359)
At year-end		
Total assets	59,636	62,479
Total weighted risk assets	43,787	48,749
Shareholders' funds	2,422	2,685
Total capital resources	4,419	5,031
Per ordinary share		
Loss - net distribution basis	(24.7)p	(28.3)p
Loss - nil distribution basis	(15.8)p	(28.3)p
Dividends	9.0p	18.0p
Net asset value	309p	345p
Ratios		
Return on average equity - profit before exceptional charges and taxation	2.2%	20.7%
- profit/(loss) before taxation	0.4%	(8.8)%
Return on average shareholders' funds - loss attributable	(6.7)%	(7.7)%
Capital ratios - total capital to total weighted risk assets	9.8%	10.0%
- tier 1 capital to total weighted risk assets	5.4%	5.4%
- total equity/total assets	4.3%	4.6%

The annual report on Form 20-F, which will be available when filed with the Securities and Exchange Commission in the US, contains additional statistical information and analyses of the Group's financial position and results of operations for 1990. Copies will be supplied on application to the secretary.

Midland Bank plc

REPORT OF THE DIRECTORS

Results for the year

The results for the year are set out in the consolidated profit and loss account on page 37.

A first interim dividend of 7.3p per ordinary share was paid on 8 October 1990. The directors have declared a second interim dividend in respect of 1990 amounting to 1.7p per ordinary share payable on 24 May 1991 to those shareholders whose names are on the register of members on 21 March 1991 instead of recommending a final dividend at the annual general meeting. The interim dividends for 1990 total 9p per share (18p for 1989).

Group activities

The bank and its subsidiary undertakings, operating in the UK and in other parts of the world, provide a comprehensive range of banking, financial and related services.

The Chairman's Statement and accompanying reviews report on the Group's business during the year and on future developments.

Share capital

During the year the issued ordinary share capital of the bank was increased from 778,668,888 shares to 783,631,314 shares as follows:

2,872,120 shares issued under the Midland Bank Group Savings-Related and Executive Share Option Schemes at prices ranging from £1.6130 to £3.3021 per share.

2,090,306 shares issued in lieu of cash by way of scrip dividend.

The bank has been notified that The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and the Kuwait Investment Office have interests in the ordinary share capital of the bank of 14.7 per cent and 10.5 per cent respectively.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the bank.

Special business at the annual general meeting

Shareholders will receive from the notice of the annual general meeting on page 38 what they are asked to consider and, if thought fit, pass a number of resolutions as special business. These are explained and set out in a separate letter dated 4 April 1991 enclosed with this report.

Property valuation

The directors have reviewed, with the assistance of internal and external professional surveyors, the market value for existing use of the Group's major and a sample of the smaller properties. The directors estimate that, at 31 December 1990, there was a shortfall between net book value and market value for existing use of some £110m for freeholds and long leaseholds. The directors consider that this overall shortfall is not permanent and that no reduction in the property revaluation reserves, currently amounting to £232m, is necessary in respect of it.

Directors

Mr J A Brooks retired from the Board in January 1991.

Mr B G Pearse and Sir Peter Walters were appointed directors of the bank in March 1991 and in accordance with the articles of association of the bank they will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

Sir Kenneth Corfield, Mr T J Cunningham, Mr B L Goldthorpe and Mr H E Lockhart retire by rotation in accordance with the articles of association of the bank and, being eligible, offer themselves for re-election.

Mr Pearse has a service contract with the bank which may be terminated by the bank upon 36 months' notice. Sir Peter Walters has a service contract with the bank which continues until 30 June 1993 and which thereafter may be terminated by the bank upon six months' notice. Mr Goldthorpe has a service contract with the bank which expires in June 1993. Mr Lockhart has service contracts with two subsidiaries of the bank which may be terminated by the subsidiaries upon 60 months' notice.

Sir Kenneth Corfield and Mr Cunningham have no service contracts with the bank or any of its subsidiaries.

No director had a material interest at any time during the year in any contract of significance, other than a service contract, with the bank or any of its subsidiaries.

The names of the present directors of the bank and brief biographical notes are shown on page 4.

During the year, the bank has maintained cover for its directors and officers under directors' and officers' liability insurance policies, as permitted by section 310(3) of the Companies Act 1985.

Group audit committee and group remuneration committee

At 31 December 1990 membership of these committees was as follows:

Group audit committee

Mr G Maitland Smith (chairman), Sir Archibald Forster, Miss D O'Cathain and Sir Michael Palliser.

Group remuneration committee

Sir Patrick Meaney (chairman), Sir Kenneth Corfield, Sir Alex Jarratt and Sir Michael Palliser.

Group structure

Details of the principal subsidiary undertakings of the Group are shown on page 48 of the accounts.

During the year, the bank disposed of its 85 per cent interests in Handelsfinanz Midland Bank in Switzerland and Handelsfinanz Midland Bank International in Nassau for approximately £60 million.

Subsidiary undertakings of the bank have entered into a number of transactions with directors and substantial shareholders or their associates. In May 1990, an additional 17 per cent shareholding in an existing subsidiary undertaking, Investment Management Company Chile SA, was acquired from a substantial shareholder of that company, for a consideration of US\$760,000. In November 1990, the Group acquired from the Hongkong Bank Group, for a cash consideration of approximately £1.15 million, the whole of the issued share capital of Hongkong Bank and Trust Company Limited, a company which carries on trust and private banking business in Gibraltar. In each case the bank's auditors have confirmed that the terms of the transactions are fair so far as Midland's shareholders are concerned.

Employees

The number of full-time equivalent staff employed in the Group at 31 December 1990, on a world-wide basis, was 60,630, of whom 53,964 were employed in the UK. The average number of staff employed (including part-timers) each week by the Group, in the UK, was 59,757 and their annual aggregate remuneration was £900 million.

Employee communication and involvement

Consultation with employees remains a key aspect of Group policy. Employees are encouraged to discuss strategic and operational issues with their line managers. Information is given to employees through normal management channels and a number of internal publications. There are regular consultations and discussions between the bank and the Banking, Insurance and Finance Union.

Since 1979, employees have had the opportunity to participate in various employee share schemes. There are now more than 25,000 participants in the profit-sharing share scheme and around 20,000 in the savings-related share option scheme.

Employment of disabled persons

During 1990 the bank took a number of steps to promote equality of opportunity for people with disabilities. Employment application forms were redesigned to encourage people with disabilities to apply, by removing questions about health and registration. The bank also adopted a new disability logo which was introduced in October 1990 and commits Midland to specific criteria set by the Employment Service. Additionally, Midland is a member of the Employers' Forum on Disability, with representatives on the main governing committee.

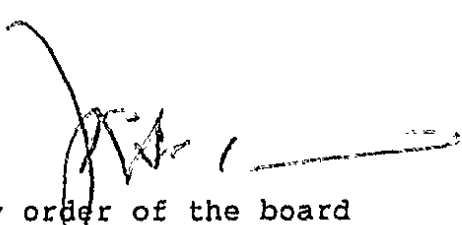
In 1991 Midland will continue to focus on training as the key to improving the opportunities for people with disabilities to compete on an equal basis for employment and career development. Disability awareness training was provided to a number of personnel managers in 1990 and will be extended in 1991, through a number of training events. For visually impaired staff members, a range of cassette tapes for training and information is provided.

Donations

During the year the Group made donations in the UK for charitable purposes amounting to £711,433. Included in this sum is an amount of £183,795 which relates to the £1 for £1 staff charity schemes. No donations were made for political purposes.

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors. A resolution proposing their re-appointment as auditors and giving authority to the directors to fix their remuneration will be submitted to the annual general meeting.



By order of the board
J R Skae, secretary

Poultry, London
5 March 1991

REPORT OF THE AUDITORS

To the members of Midland Bank plc

We have audited the accounts set out on pages to in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1990 and of the loss and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

[Ernst & Young]
Chartered Accountants

London
5 March 1991

MIDLAND GROUP

ACCOUNTING POLICIES

Accounting policies adopted by the Group are set out below and are consistent with those adopted in 1989.

- a **Accounting convention** The accounts are prepared in accordance with applicable accounting standards under the historical cost convention modified by the revaluation of freehold and long leasehold properties and dealing assets.
- b **Basis of consolidation** The Group accounts are prepared in accordance with sections 255 and 255A of, and Schedule 9 to, the Companies Act 1985 and deal with the state of affairs and profits and losses of Midland Bank plc and all its subsidiary undertakings and the attributable share of profits and reserves of its associated undertakings.
- c **Bad and doubtful debts** Specific and general provisions for bad and doubtful debts are based on the year-end appraisal of advances. The specific element relates to individual banking relationships; the general element relates to other positions not separately identified but known from experience to exist in any portfolio of banking relationships.

Interest on bad and doubtful loans continues to be charged to the customer's account and credited to interest income where insolvency law permits, although in most instances a corresponding specific provision is made. When it becomes apparent that recovery is unlikely, interest ceases to be accrued. When there is no prospect of recovery, the outstanding debt is written off.

- d **Instalment finance** Income from fixed rate instalment finance business, after making a deduction for certain initial expenses, is credited to profit and loss account in proportion to the reducing balance outstanding. These balances are stated in the balance sheet after deduction of unearned charges and interest.
- e **Equipment leased to customers** Income from leasing contracts, other than those with major recourse or similar agreements, is credited to profit and loss account in proportion to the funds invested. The great majority of such leases relates to finance leases since substantially all the risks and rewards attaching to the assets leased are transferred to the lessee.

Where leasing contracts are covered by major recourse or other similar agreements, income is released to maintain the book amount of the asset at a value consistent with the contractual arrangements.

- f **Depreciation of premises and equipment** The directors consider that, except for certain specialised properties, residual values of freehold and long leasehold buildings (50 years and over unexpired) are such that a nil rate of depreciation should be currently applied. Specialised properties are depreciated on an individual basis having regard to their anticipated useful lives. Other leasehold land and buildings are written off on the straight-line basis over ten years, or the period of the lease whichever is the shorter. Obsolescence of buildings is charged to profit as it arises. Furniture, fittings and equipment are depreciated on the straight-line basis over their estimated useful lives at rates ranging from 5% to 50% per annum.

ACCOUNTING POLICIES - continued

- g **Dealing assets** Where assets are acquired with the intention of reselling them in the short term at a profit, they are stated in the balance sheet at market value. Income from dealing assets arises in two ways, interest income and dealing income, and is analysed between 'interest receivable' and 'other operating income'.
- h **Investments (other than those included in dealing assets)** Where dated investments have been purchased at a premium or discount, these premiums and discounts are amortised through the profit and loss account over the period from date of purchase to date of maturity. If the date of maturity is at the borrower's option within a specified range of years, the maturity date which gives the more conservative result is adopted. These investments are included in the balance sheet at amortised cost. Any profit or loss on realisation of these investments is recognised in the profit and loss account as it arises.

Undated investments and trade investments are included in the balance sheet at cost less provision for any permanent diminution in value.

The Group's investments in associated undertakings and Midland Bank plc's investments in associated and subsidiary undertakings are stated at their share of net tangible assets.

- i **Retirement benefits** Annual contributions are made to UK pension schemes on the advice of actuaries for funding of retirement benefits in order to build up reserves for each scheme member during the employee's working life to pay to the employee or dependant a pension after retirement. The costs of providing these benefits are charged to the profit and loss account on a regular basis. Overseas subsidiaries make provisions for pensions in accordance with local law and practice.
- j **Embedded value** Changes in the value placed on long-term assurance business in force (known as the "embedded value"), which are determined on a post-tax basis, are recognised in the profit and loss account. The embedded value is determined in consultation with independent actuaries, using a discount rate of 15% per annum. For the purpose of presentation, the change in this value is grossed up at the underlying rates of taxation.
- k **Deferred taxation** Deferred taxation is calculated, using the liability method, on all timing differences to the extent that they are likely to crystallise in the future.
- l **Currency translation** Assets, liabilities and results of subsidiary and associated undertakings denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Translation differences arising on the application of year-end rates of exchange to opening net assets of overseas subsidiary and associated undertakings and to related foreign currency borrowings are dealt with through reserves.

Other translation differences are recognised in the profit and loss account.

- m **Premium on acquisition of shares in associated and subsidiary undertakings** Premiums on acquisition of shares in associated and subsidiary undertakings are written off to reserves in the year of acquisition.

MIDLAND GROUP

ACCOUNTING POLICIES - continued

- n Off balance sheet financial instruments Accounting for off balance sheet financial instruments is based on whether contracts have been undertaken to serve customers, for dealing, or to hedge or manage risk.

Transactions to serve customers or for dealing are marked to market and the results are recognised in the profit and loss account as they arise.

In general, transactions designated as hedges are required to satisfy hedging criteria, in default of which they are classified as dealing. Hedging transactions are valued on an equivalent basis to the assets, liabilities and positions which they are hedging. Any profit or loss is recognised at the same time as any profit or loss arising from the related assets, liabilities or positions. Income or expense applicable to currency or interest rate swap transactions undertaken to manage the Group's assets and liabilities is accrued as an adjustment to net interest income.

MIDLAND GROUP

ANALYSIS OF INTEREST RECEIVABLE, INTEREST PAYABLE, OTHER OPERATING INCOME AND OPERATING EXPENSES

Year ended 31 December 1990

	1990	1989
	£m	£m
Interest receivable		
Short-term funds		
Dealing assets	1,046	1,137
British Government securities (listed)	239	291
	41	30
Other investments - listed	51	49
unlisted	51	79
Advances to customers	102	128
Placings with banks (over 30 days)	5,259	5,069
Lease financing and instalment finance	339	632
	520	457
	7,546	7,744
Interest payable		
Deposits		
Perpetual subordinated loan capital, term subordinated loan capital and long-term borrowings wholly repayable	5,653	5,627
- within five years	19	29
other	231	238
	5,903	5,894
Other operating income		
Service charges, fees and other banking income	1109	1,037
Foreign exchange earnings	181	134
Travel income	164	147
Income from trade investments	2	1
Profit/(loss) on sale of investments - fixed interest other	(4)	1
	31	9
Profit on disposal of fixed assets	27	10
	12	3
	1,495	1,332
Operating expenses		
Staff		
Salaries and other staff costs	1,232	1,190
Pension costs	110	122
Premises and equipment	1,342	1,312
Depreciation and amortisation	145	123
Hire of computers and other equipment	19	14
Rents payable	92	83
Other	244	253
Other*	500	473
	553	518
	2,395	2,303

* including audit fees of £3.8m (1989 £3.7m)

MIDLAND GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 1990			1990	1989
	Notes		£m	£m
Interest receivable			7,543	7,744
Interest payable			(5,903)	(5,894)
Net interest income			1,643	1,850
Other operating income			1,495	1,332
<u>Operating income</u>			3,138	3,182
Operating expenses			(2,395)	(2,303)
Trading profit before charge for bad and doubtful debts			743	879
Charge for bad and doubtful debts			(703)	(307)
<u>Trading profit</u>			40	572
Share of profits of associated undertakings	3		23	44
Profit before exceptional charges and taxation			63	616
Exceptional charges	4		(52)	(877)
<u>Profit/(loss) before taxation</u>			11	(261)
Taxation	5		(188)	57
<u>Loss after taxation</u>			(177)	(204)
Minority interests			(16)	(15)
<u>Loss before extraordinary items</u>			(193)	(219)
Extraordinary items	6		12	-
<u>Loss attributable to members of Midland Bank plc</u>			(181)	(219)
Dividends	7		(70)	(140)
<u>Deficit</u>			(251)	(359)
Loss per share - net distribution basis	8		(24.7)p	(28.3)p
- nil distribution basis			(15.8)p	(28.3)p

Movements in reserves are set out in note 26

MIDLAND GROUP

CONSOLIDATED BALANCE SHEET

31 December 1990

ASSETS	Notes	1990 £m	1989 £m
Liquid assets	9	9,511	8,862
Items in course of collection		492	1,011
Certificates of deposit		484	539
Dealing assets	10	2,000	2,247
Investments	11	2,174	1,628
Debtors	12	1,141	999
Advances and other accounts	13	42,125	45,530
		<u>57,927</u>	<u>60,816</u>
Trade investments	14	20	25
Investments in associated undertakings	15	181	190
Premises and equipment	17	1,508	1,448
		<u>59,636</u>	<u>62,479</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Current, deposit and other customer accounts	18	52,881	54,680
Other liabilities	19	1,675	2,177
		<u>54,556</u>	<u>56,857</u>
Deferred taxation	20	207	36
Long-term borrowings	21	454	555
Term subordinated loan capital	22	1,012	1,183
Perpetual subordinated loan capital	23	824	997
Minority interests		161	166
Shareholders' funds			
Share capital	24	784	779
Share premium	25	1,066	1,060
Reserves	26	572	846
		<u>2,422</u>	<u>2,685</u>
		<u>59,636</u>	<u>62,479</u>

✓ Kit McMahon

✓ B. L. Latham

✓ Richard Webb

✓ J. R. A. 2

MIDLAND GROUP

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended 31 December 1990

	1990 £m	1989 £m
Source of funds		
Loss attributable to members of Midland Bank plc	(181)	(219)
Adjustments for items not involving the movement of funds		
Depreciation of premises and equipment	145	123
Deferred taxation	171	(162)
Minority interests	(5)	25
Amount retained by associated undertakings	(2)	(20)
Profit on sale of subsidiaries	(17)	-
Other items	21	(18)
Funds generated from operations	132	(271)
Funds from other sources		
Disposal of trade investments and associated undertakings	10	18
Disposal of premises and equipment	36	28
(Decrease)/increase in share and loan capital	(422)	526
Net proceeds from sale of subsidiaries	60	-
	(184)	301
Application of funds		
Dividends paid	141	130
Purchase of trade investments and associated undertakings	15	23
Purchase of goodwill on acquisition of subsidiary undertakings	19	22
Purchase of premises and equipment	242	454
	417	629
Working capital	(601)	(328)
	(184)	301
Working capital		
Advances and other customer accounts	(3,241)	5,257
Liquid assets	736	1,243
Debtors and other assets	(99)	(96)
Current and deposit accounts and other liabilities excluding dividends	2,003	(6,732)
	(601)	(328)

MIDLAND GROUP

NOTES ON THE ACCOUNTS

1 TURNOVER

The turnover of the Group as a whole is not shown as it results mainly from the business of banking. Non-banking turnover consists of commissions on travel arrangements and sales in respect of tour operations amounting to £394m (1989 £370m). Aggregate leasing rentals were £772m (1989 £822m) the majority of which related to finance leases. Aggregate hire purchase instalments were £441m (1989 £413m).

2 RETIREMENT BENEFITS

The Midland Bank Pension Scheme, the assets of which are held in a separate trust fund, is the principal pension scheme within the Group covering 78% of the Group's UK employees. The Midland Bank Pension Scheme is a funded 'defined benefit scheme'.

Actuarial valuations of the assets and liabilities of the scheme are carried out triennially by external professional actuaries to determine the financial position of the scheme and to enable the bank to determine the level of contributions to be made to the scheme.

The latest valuation of the Midland Bank Pension Scheme was made as at 31 December 1987. Following this valuation, the actuaries recommended future contributions of 20% of pensionable salary of which 1.4% represented the amount in relation to past deficiencies expected to be necessary to achieve a funding level of 100% by 31 December 2006. The deficiency has subsequently been made good by the performance of the scheme. The actuaries recommended in May 1990 that deficiency contributions should be discontinued with effect from 1 January 1989, and this recommendation was implemented in 1990. The effect of this change has been to reduce pension costs in 1990 by £14m of which £7m relates to 1989.

The main financial assumptions used in the latest valuation, which, except for small increases of ½% per annum in the effective allowances made for equity dividend and post retirement pension increases, are consistent with those used in the previous valuation, were

	Percentage per annum
Long-term investment return	9
General salary increases	7
Equity dividend increases	4.5
Post retirement pension increases	4

The actuaries also confirmed that, on the basis of the actuarial assumptions and methods used, the scheme's assets at 31 December 1987 fully covered its liabilities based on then current salary levels and service to the valuation date.

A pension scheme for certain part-time staff of the bank was introduced on 1 January 1989 and as at 31 December 1990 covered 4% of the Group's UK employees. The scheme is a 'defined benefit scheme' and is similarly funded and constituted as the principal pension scheme.

The pension schemes of the Thomas Cook Group and the Samuel Montagu Group, which cover 8% of the Group's UK employees, are similarly constituted and are fully funded.

NOTES ON THE ACCOUNTS - continued

3 DIVIDENDS FROM INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Dividends receivable during 1990 from associated undertakings, substantially all of which are unlisted, amounted to £10m (1989 £6m).

4 EXCEPTIONAL CHARGES	1990	1989
	£m	£m
Exceptional provisions for restructuring costs	52	-
Exceptional provisions against loans to borrowers in developing countries	-	846
Exceptional provisions in respect of outstanding local authority interest rate contracts	-	31
	<u>52</u>	<u>877</u>

5 TAXATION	1990	1989
	£m	£m
The (charge)/credit for taxation is made up as follows		
United Kingdom corporation tax		
Current at 35%	(4)	(7)
Deferred	<u>57</u>	<u>143</u>
	53	136
Anticipated tax relief written off	(190)	-
Advance Corporation Tax written off	(69)	-
Release of prior year provisions	79	-
Relief in respect of overseas taxation	<u>-</u>	<u>3</u>
	(127)	139
Overseas taxation		
Current	(39)	(54)
Deferred	<u>(11)</u>	<u>(10)</u>
	(177)	75
Associated undertakings	<u>(11)</u>	<u>(18)</u>
	(188)	57

Tax relief of £190m, principally in respect of past developing country loan provisions and from UK trading losses incurred in the current year, and £69m in respect of Advance Corporation Tax have been written off. The UK tax losses and Advance Corporation Tax will remain available to the Group but, in accordance with accounting practice generally accepted in the UK, relief is not being anticipated. The charge also reflects the release of provisions of £79m made in previous years in respect of a number of issues (including a bullion stock relief claim by Samuel Montagu & Co. Limited which has now been resolved in the High Court).

NOTES ON THE ACCOUNTS - continued

6 EXTRAORDINARY ITEMS

	1990 £m	1989 £m
Profit on sale of subsidiary and associated undertakings	12	-

7 DIVIDENDS

	1990 pence per share	1989 pence per share	1990 £m	1989 £m
First interim	7.3	7.3	57	56
Second interim	1.7	10.7	13	84
	<u>9.0</u>	<u>18.0</u>	<u>70</u>	<u>140</u>

8 LOSS PER SHARE

Loss per share on the net basis has been calculated on the loss before extraordinary items of £193m (1989 loss £219m) related to the weighted average of 781m shares (1989 774m shares) in issue during the year. Loss per share on the nil distribution basis has been calculated in the same manner except that the loss before extraordinary items has been adjusted to exclude Advance Corporation Tax written off during the year.

9 LIQUID ASSETS

	1990 £m	Group 1989 £m	Midland Bank plc 1990 £m	1989 £m
Coin, bank notes, balances with central banks and gold	869	919	598	586
Money at call and short notice	6,774	7,453	5,334	4,694
Bills discounted	1,868	490	1,841	389
	<u>9,511</u>	<u>8,862</u>	<u>7,773</u>	<u>5,669</u>

Coin, bank notes, balances with central banks and gold includes gold bullion, amounting to £183m (1989 £225m) at current market value.

NOTES ON THE ACCOUNTS - continued

10 DEALING ASSETS

	1990	Group	Midland Bank plc	
	1989	1990	1989	
	£m	£m	£m	£m
Bullion other than gold	68	149	-	1
Bills	426	367	59	130
Certificates of deposit	281	199	10	3
Investments				
Listed -				
Securities of, or guaranteed				
by, the British Government	320	247	-	22
Others listed in Great Britain	104	158	27	27
Others listed elsewhere	628	1,008	12	7
	1,052	1,413	39	56
Unlisted -				
United States authorities				
and agencies	-	14	-	-
Other	142	72	84	53
	142	86	84	53
	1,194	1,499	123	109
Properties	31	33	-	-
	2,000	2,247	192	243

Listed investments are valued at middle market prices and unlisted investments at directors' valuation.

NOTES ON THE ACCOUNTS - continued

11 INVESTMENTS

	1990 £m	1990 £m	1989 £m	1989 £m
Group	Book amount	Valuation	Book amount	Valuation
Listed -				
Securities of, or guaranteed by, the British Government	1,040	1,019	317	300
Others listed in Great Britain	98	96	105	133
Others listed elsewhere	499	494	557	555
	<u>1,637</u>	<u>1,609</u>	<u>979</u>	<u>988</u>
Unlisted -				
United States authorities and agencies	136	138	202	204
Other	401	422	447	477
	<u>2,174</u>	<u>2,169</u>	<u>1,628</u>	<u>1,669</u>
Midland Bank plc				
Listed -				
Securities of, or guaranteed by, the British Government	1,030	1,009	307	291
Others listed in Great Britain	18	18	32	44
Others listed elsewhere	47	47	122	122
	<u>1,095</u>	<u>1,074</u>	<u>461</u>	<u>457</u>
Unlisted -				
United States authorities and agencies	-	-	29	29
Other	11	11	8	8
	<u>1,106</u>	<u>1,085</u>	<u>498</u>	<u>494</u>

Dated investments are stated at amortised cost amounting to £2,041m (1989 £1,412m) for the Group and £1,101m (1989 £489m) for Midland Bank plc.

Listed investments are valued at middle market prices and unlisted investments at directors' valuation.

NOTES ON THE ACCOUNTS - continued

12 DEBTORS

Sundry debtors include securities trading assets arising in the market-making subsidiaries; related liabilities are included under 'Other liabilities' - see note 19.

13 ADVANCES AND OTHER ACCOUNTS

	1990 £m	Group 1989 £m	Midland Bank plc 1990 £m	1989 £m
Loans to customers				
Advances	37,084	38,209	31,979	32,790
Instalment finance	1,368	1,329	-	-
	<u>38,452</u>	<u>39,538</u>	<u>31,979</u>	<u>32,790</u>
Lease financing	2,482	2,467	-	-
	<u>40,934</u>	<u>42,005</u>	<u>31,979</u>	<u>32,790</u>
Total loans and lease financing	40,934	42,005	31,979	32,790
Less provisions	2,693	2,822	2,456	2,570
	<u>38,241</u>	<u>39,183</u>	<u>29,523</u>	<u>30,220</u>
Placings with banks (over 30 days)	2,044	3,779	882	2,570
Accrued interest and other customer accounts	1,840	2,568	1,497	2,136
	<u>42,125</u>	<u>45,530</u>	<u>31,902</u>	<u>34,926</u>
Of which				
Sterling	31,727	31,424	26,169	26,028
Currency	10,398	14,106	5,733	8,898
	<u>42,125</u>	<u>45,530</u>	<u>31,902</u>	<u>34,926</u>

Advances are stated after deduction of amounts refinanced with the Export Credits Guarantee Department and the Department of Trade and Industry.

Included in instalment finance above are amounts in respect of hire purchase contracts amounting to £745m (1989 £789m).

The cost of assets acquired in 1990 for the purpose of letting under lease financing and hire purchase contracts amounted to £745m (1989 £955m) and £549m (1989 £668m), respectively.

NOTES ON THE ACCOUNTS - continued

13 ADVANCES AND OTHER ACCOUNTS - continued

Movements on provisions for bad and doubtful debts were as follows

	1990 £m			1989 £m		
Group	Specific	General	Total	Specific	General	Total
Provisions at 1 January	2,598	224	2,822	1,664	190	1,854
Currency translation and other adjustments	(360)	(11)	(371)	213	13	226
Charge for the year	720	(17)*	703	349	(42)	307
Exceptional charges (see note 4)	-	-	-	814	63	877
Amounts written off	(476)	-	(476)	(461)	-	(461)
Less recoveries of amounts written off in previous years	15	-	15	19	-	19
	(461)	-	(461)	(442)	-	(442)
Provisions at 31 December	2,497	196	2,693	2,598	224	2,822
Midland Bank plc						
Provisions at 1 January	2,405	165	2,570	1,545	91	1,636
Currency translation and other adjustments	(338)	(17)	(355)	194	2	196
Charge for the year	656	(6)*	650	274	9	283
Exceptional charges (see note 4)	-	-	-	807	63	870
Amounts written off	(423)	-	(423)	(429)	-	(429)
Less recoveries of amounts written off in previous years	14	-	14	14	-	14
	(409)	-	(409)	(415)	-	(415)
Provisions at 31 December	2,314	142	2,456	2,405	165	2,570

The Group makes specific provisions against loans to and interest due from borrowers in developing countries. The level of such provisions is reviewed against exposure on a country by country basis and adjusted when the economic, political or regional circumstances of a country change, assessed by a scoring system consistent with Bank of England guidelines. In addition, interest is normally reserved when it is more than 90 days overdue. Provisions against principal during the year to 31 December 1989 were treated as an exceptional charge (see note 4).

* includes £50m transferred to specific provisions

NOTES ON THE ACCOUNTS - continued

14 TRADE INVESTMENTS

	1990 £m	1990 £m	1989 £m	1989 £m
	Book amount	Valuation	Book amount	Valuation
Group				
Listed	9	10	14	21
Unlisted	11	18	11	20
	<u>20</u>	<u>28</u>	<u>25</u>	<u>41</u>
Midland Bank plc				
Unlisted	<u>2</u>	<u>7</u>	<u>2</u>	<u>8</u>

Listed investments are valued at middle market prices and unlisted investments at directors' valuation.

NOTES ON THE ACCOUNTS - continued

15 INVESTMENTS IN ASSOCIATED UNDERTAKINGS

	1990 £m	1990 £m	1989 £m	1989 £m
	Book amount	Valuation	Book amount	Valuation
Group				
Listed elsewhere than in Great Britain	-	-	4	5
Unlisted -				
Equity	156	183	157	200
Other	25	25	29	23
	<u>181</u>	<u>208</u>	<u>190</u>	<u>228</u>
Midland Bank plc				
Unlisted -				
Equity	138	149	136	164
Other	25	25	29	23
	<u>163</u>	<u>174</u>	<u>165</u>	<u>187</u>

Listed investments are valued at middle market prices and unlisted investments at directors' valuation.

NOTES ON THE ACCOUNTS - continued

15 INVESTMENTS IN ASSOCIATED UNDERTAKINGS - continued

The principal associated undertakings at 31 December 1990 were as follows

	Country of incorporation and operation	Accounts made up to	Direct interest of Midland Bank plc
3i Group plc	Great Britain	30. 9.1990*	.
Issued share capital £232m			18%
Signet Limited	Great Britain	31.10.1990	
Issued share capital £400			30%
Loan capital £65.5m			30%
UBAF Bank Limited	Great Britain	31.12.1990	
US\$ share capital \$93m			25%
US\$ share capital \$81m			25%
Sterling share capital £46m			
of which £15m 67% paid up			25%
Subordinated unsecured loan			
stock US \$28.7m			25%
Subordinated loan stock £10m			12.5%

* interim accounts

NOTES ON THE ACCOUNTS - continued

16 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS	1990 £m	1989 £m
Midland Bank plc		
Shares in subsidiary undertakings at bank's share of net tangible assets	957 416	990 735
Loans to subsidiary undertakings		
	<u>1,373</u>	<u>1,725</u>

The principal subsidiary undertakings at 31 December 1990, all of whose accounts were made up to 31 December 1990, were as follows

	Country of incorporation and operation	Equity interest of <u>Midland Bank plc</u> Direct Indirect	
Euromobiliare SpA ⁺	Italy	49%	-
Forward Trust Limited	Great Britain		100%
Griffin Factors Limited	Great Britain		100%
Midland Bank SA*	France		72%
Midland Bank Trust Company Limited	Great Britain	100%	
Samuel Montagu & Co. Limited	Great Britain		100%
The Thomas Cook Group Limited	Great Britain	100%	
Trinkaus & Burkhardt KGaA [#]	Germany		71%

All the above subsidiary undertakings are engaged in the business of banking and financial services with the exception of The Thomas Cook Group Limited which is engaged in the business of world travel, tour operations, foreign exchange dealings and the issue of travellers cheques.

* the bank also holds an option to purchase approximately 6% of the ordinary shares and has an agreement with Euromobiliare management and management companies regarding the exercise of director and shareholder votes in the undertaking

* minority shareholding listed

limited partnership

NOTES ON THE ACCOUNTS - continued

17 PREMISES AND EQUIPMENT	Freehold land and buildings	Leasehold land and buildings		Furniture, fittings and equipment	Total
		50 years and over unexpired	under 50 years unexpired		
	£m	£m	£m	£m	£m
Group					
Cost or valuation					
At 1 January 1990	834	129	181	771	1,915
Currency translation adjustments	(6)	-	4	3	1
Additions	34	28	29	151	242
Disposals	(20)	(1)	(5)	(35)	(61)
	<u>842</u>	<u>156</u>	<u>209</u>	<u>890</u>	<u>2,097</u>
At 31 December 1990					
Accumulated depreciation	(10)	(3)	(99)	(477)	(589)
Net book amount					
At 31 December 1990	<u>832</u>	<u>153</u>	<u>110</u>	<u>413</u>	<u>1,508</u>
At 31 December 1989	<u>824</u>	<u>128</u>	<u>105</u>	<u>391</u>	<u>1,448</u>
Midland Bank plc					
Cost or valuation					
At 1 January 1990	567	128	137	561	1,393
Additions	55	28	25	112	220
Disposals	(17)	(1)	(3)	(24)	(45)
	<u>605</u>	<u>155</u>	<u>159</u>	<u>649</u>	<u>1,568</u>
At 31 December 1990					
Accumulated depreciation	(7)	(2)	(78)	(347)	(434)
Net book amount					
At 31 December 1990	<u>598</u>	<u>153</u>	<u>81</u>	<u>302</u>	<u>1,134</u>
At 31 December 1989	<u>561</u>	<u>127</u>	<u>75</u>	<u>289</u>	<u>1,052</u>

NOTES ON THE ACCOUNTS - continued

17 PREMISES AND EQUIPMENT - continued

	Group £m	Midland Bank plc £m
Cost or valuation of premises and equipment at 31 December 1990 comprises		
Land and buildings		
at valuation 1988	648	589
at cost	559	330
	<hr/>	<hr/>
	1,207	919
Furniture, fittings and equipment, at cost	890	649
	<hr/>	<hr/>
	2,097	1,568
	<hr/>	<hr/>

The depreciable amounts for leaseholds under 50 years unexpired for the Group and for Midland Bank plc were £209m (1989 £131m) and £159m (1989 £137m), respectively.

The net book amount for furniture, fittings and equipment includes assets held under lease financing of £32m (1989 £51m) and £32m (1989 £51m) for the Group and Midland Bank plc respectively on which the depreciation charges are £14m (1989 £14m) and £14m (1989 £13m) respectively.

NOTES ON THE ACCOUNTS - continued

18 CURRENT, DEPOSIT AND OTHER CUSTOMER ACCOUNTS

	1990 £m	Group 1989 £m	Midland Bank plc 1990 £m	1989 £m
Sterling				
Current and demand accounts	18,582	18,220	17,451	16,947
Deposit and savings accounts	5,428	4,639	3,731	3,265
Money market and other time deposits	11,914	10,425	9,284	7,742
Accrued interest and other customer accounts	702	773	489	580
	<u>36,626</u>	<u>34,057</u>	<u>30,955</u>	<u>28,534</u>
Currency				
Current and demand accounts	4,684	5,933	2,353	2,106
Deposit and savings accounts	2,665	2,748	1,278	1,614
Money market and other time deposits	7,832	10,776	5,651	7,639
Accrued interest and other customer accounts	1,074	1,166	156	402
	<u>16,255</u>	<u>20,623</u>	<u>9,438</u>	<u>11,761</u>
	<u>52,881</u>	<u>54,680</u>	<u>40,393</u>	<u>40,295</u>

Included in the Group figures above are secured bank overdrafts of subsidiary undertakings amounting to £10m (1989 £25m).

NOTES ON THE ACCOUNTS - continued

19 OTHER LIABILITIES

	1990	Group	Midland Bank plc	
	£m	1989	1990	1989
		£m	£m	£m
Taxation	134	215	111	126
Creditors and securities				
trading liabilities	1,528	1,878	343	340
Dividend	13	84	13	84
	<u>1,675</u>	<u>2,177</u>	<u>467</u>	<u>550</u>

Securities trading liabilities arise in the market-making subsidiary undertakings and reflect the level of activity in the securities markets. The related assets are included under 'Debtors' - see note 12.

Obligations under lease financing included within 'creditors and securities trading liabilities' were as follows:

	1990	Group	Midland Bank plc	
	£m	1989	1990	1989
		£m	£m	£m
Payable within 1 year	25	34	21	24
1-5 years	27	63	18	39
over 5 years	-	1	-	-
	<u>52</u>	<u>98</u>	<u>39</u>	<u>63</u>
less: future finance charges	(8)	(13)	(5)	(10)
	<u>44</u>	<u>85</u>	<u>33</u>	<u>53</u>

NOTES ON THE ACCOUNTS - continued

20 DEFERRED TAXATION

	1990		1989	
	Potential	Provided	Potential	Provided
	amounts	in	amounts	in
	unprovided	Accounts	unprovided	Accounts
	(or relief	available)		
Group				
Short-term timing differences	(8)	42	-	18
Accelerated capital allowances	(1)	3	-	16
Leasing transactions	94	257	89	271
Premises revaluation	-	-	40	2
Trading losses carried forward	(186)	(38)	-	(174)
Other items	5	25	4	31
Advance corporation tax recoverable	(69)	(82)	-	(128)
	(165)	207	133	36
Midland Bank plc				
Short-term timing differences	(8)	-	-	(4)
Accelerated capital allowances	(1)	-	-	7
Premises revaluation	-	-	33	-
Trading losses carried forward	(166)	-	-	(174)
Other items	5	-	-	4
Advance corporation tax recoverable	(21)	-	-	(128)
	(191)	-	33	(295)

No provision is made for taxation on capital gains which may arise on the disposal of premises at their balance sheet amounts as it is anticipated that any such gains will be covered by capital losses or other reliefs.

NOTES ON THE ACCOUNTS - continued

21 LONG-TERM BORROWINGS

	1990 £m	1989 £m
Subsidiary undertakings		
5% Debenture 1987/92 DM 9m	3	3
Borrowings at fixed and variable rates between 8.3% and 15.9% repayable 1991/98* FrFrs 1,842m (1989 FrFrs 1,911m)	187	205
3 3/4 % Bonds repayable 1991/92 SwFrs 20m	-	8
6% Bonds repayable 1993 DM 75m	26	28
5% Bonds repayable 1993 DM 75m	26	28
4% Guaranteed Note 1986/1993 Ecu 10.2m	7	11
10% Bonds repayable 1986/1993 Lire 13.9bn	6	7
Multicurrency loan facility 1993 US\$ 25m #	9	15
6% Bonds repayable 1996 DM 100m	35	37
13 1/8% Note repayable 1997	-	25
Guaranteed Floating Rate Notes 1997 FrFrs 900m #	91	97
Floating Rate Note 1999 SKr 200m #	18	20
Guaranteed Floating Rate Unsecured Loan Notes 1999 #	9	35
£52.5m 6 5/8% deep discount first mortgage bonds 2006 +	37	36
	<u>454</u>	<u>555</u>
Repayable within 1 year	33	5
1 - 2 years	3	33
2 - 5 years	147	249
over 5 years	271	268
	<u>454</u>	<u>555</u>

* repayable by instalments

the interest rates on floating rate borrowings are related to local market rates and these range from 8.25% to 15.413% at 31 December 1990

+ secured on one of the Group's freehold properties

NOTES ON THE ACCOUNTS - continued

22 TERM SUBORDINATED LOAN CAPITAL	1990 £m	1989 £m
Midland Bank plc		
7½% Subordinated Unsecured Loan Stock 1983/93	5	5
10 3/4% Subordinated Unsecured Loan Stock 1993/98	31	31
Subordinated Floating Rate Notes 2001 14% Subordinated Unsecured Loan Stock 2002/07	250	250
	100	100
	<u>386</u>	<u>386</u>
Subsidiary undertakings		
11½% Guaranteed Bonds 1992 US \$150m	78	93
Guaranteed Floating Rate Notes 1992 US \$150m	-	93
6½% Guaranteed Bonds 1986/96 DM 200m	69	73
Guaranteed Floating Rate Notes 1986/98 DM 300m	104	110
7.55% Guaranteed Loan 1998 Yen 6.3bn	24	27
Guaranteed Floating Rate Notes 1999 US \$200m	103	125
7.25% Guaranteed Loan 1999 Yen 3.1bn	12	13
7.41% Guaranteed Loan 1999 Yen 10.0bn	38	43
7 3/4% Dual Currency Guaranteed Bonds 1999 Yen 5.0bn	19	22
Guaranteed Floating Rate Notes 1989/99 DM200m	69	73
6.99% Guaranteed Loan 1999 Yen 5.0bn	19	22
Floating Rate Notes 2000 DM 20m	7	-
Guaranteed Floating Rate Unsecured Loan Stock 2001	5	9
Guaranteed Floating Rate Series A to C Unsecured Loan Stock 2001	1	1
12 3/4% Guaranteed Notes 2003 US \$150m	78	93
	<u>626</u>	<u>797</u>
	<u>1,012</u>	<u>1,183</u>

NOTES ON THE ACCOUNTS - continued

22 TERM SUBORDINATED LOAN CAPITAL - continued	1990 £m	1989 £m
Repayable within 1 year	-	-
1 - 2 years	78	-
2 - 5 years	5	192
over 5 years	<u>929</u>	<u>991</u>
	<u>1,012</u>	<u>1,183</u>

Subordinated loan capital is repayable at par at maturity but some is repayable prior to maturity at the option of the borrower, in certain cases at a premium over par.

The interest rates on the floating rate term subordinated loan capital are related to relevant London Interbank Offered Rates.

23 PERPETUAL SUBORDINATED LOAN CAPITAL	1990 £m	1989 £m
Midland Bank plc		
Undated Floating Rate Primary Capital Notes US \$750m	388	467
Undated Floating Rate Primary Capital Notes US \$500m	259	311
Undated Floating Rate Primary Capital Notes (Series 3) US \$300m	<u>155</u>	<u>187</u>
	802	965
Subsidiary undertakings		
Convertible Undated Floating Rate Subordinated Notes FrFrs 221m (1989 FrFrs 300m)	<u>22</u>	<u>32</u>
	<u>824</u>	<u>997</u>

The Undated Floating Rate Primary Capital Notes have characteristics which render them similar in certain circumstances to preferred shares.

The interest rates on the Undated Floating Rate Primary Capital Notes are related to London Interbank Offered Rates. The annual interest rate on the Convertible Undated Floating Rate Subordinated Notes is related to the average monthly bond rates for new issues in the Paris market.

The right to convert the Convertible Undated Floating Rate Subordinated Notes may be exercised at any time from 1 January 1991 until 31 December 2005 on the basis of 3.6 ordinary shares of Midland Bank SA each with a nominal value of FrFrs 100 for each FrFrs 1,000 note.

NOTES ON THE ACCOUNTS - continued

24 SHARE CAPITAL

The movements in authorised and issued share capital were as follows

	Non-cumulative Preference Shares of £1 each £m	Non-cumulative Preference Shares of \$25 each £m	Ordinary Shares of £1 each £m	Total £m
Authorised				
At 1 January 1990	150	311	1,000	1,461
Currency translation adjustment	-	(52)	-	(52)
At 31 December 1990	150	259	1,000	1,409
Issued				
At 1 January 1990	-	-	779	779
Shares issued under share option schemes	-	-	3	3
Shares issued in lieu of cash - 1989 second interim dividend	-	-	1	1
1990 first interim dividend	-	-	1	1
Shares issued under employee profit sharing scheme	-	-	-	-
At 31 December 1990	-	-	784	784

25 SHARE PREMIUM

	1990 £m	1989 £m
At 1 January		
Shares issued under share option schemes	1,060	1,042
Shares issued in lieu of dividends	2	3
Shares issued under employee profit sharing scheme	4	8
	-	7
At 31 December	1,066	1,060

NOTES ON THE ACCOUNTS - continued

26 RESERVES

	Midland Bank plc and subsidiary undertakings £m	Associated undertakings £m	Group £m	Midland Bank plc £m
At 1 January 1990	759	87	846	846
Currency translation adjustments (Deficit)/retained profit	(14) (253)	10 2	(4) (251)	- (221)
Premium written off on acquisition of subsidiary undertakings	(19)	-	(19)	-
Net decrease in net tangible assets of subsidiary and associated undertakings	-	-	-	(53)
At 31 December 1990	473	99	572	572

The Group has taken advantage of the exemption provided by Section 230 Companies Act 1985 not to present Midland Bank plc's own profit and loss account.

The cumulative amount of goodwill on acquisition, net of discount on acquisitions written off in the Group's reserves, is £164m (1989 £150m).

Reserves at 31 December 1990 are analysed as follows

	Group £m	Midland Bank plc £m
Distributable reserves	141	141
Revaluation reserves	232	187
Post acquisition reserves of associated undertakings	99	99
subsidiary undertakings	-	65
Legal or otherwise non distributable reserves	100	80
Total reserves	572	572

27 SUBSEQUENT EVENTS

The bank has decided in 1991 on further restructuring of the area offices, branches and operations functions, involving approximately 1600 job reductions. The implementation costs are estimated at £28m and will be charged to profit in 1991.

NOTES ON THE ACCOUNTS - continued

28 CONTINGENT LIABILITIES

	1990	1989
	£m	£m
There were the following contingent liabilities in respect of		
Acceptances		
Group	950	1,002
Midland Bank plc	877	935
Engagements		
Group	5,660	6,627
Midland Bank plc	4,854	5,772

In addition there were outstanding financial contracts, agreements and other financial instruments entered into in the normal course of business. Midland Bank plc has guaranteed the performance of certain subsidiary undertakings in respect of some of these items, and certain exposures to banks by a subsidiary undertaking.

	1990	1989
	£m	£m
Midland Bank plc has guaranteed		
Term subordinated loan capital and long- and short-term borrowings of certain subsidiary undertakings	866	1,142
Loans to customers by certain subsidiary undertakings	894	689

Proceedings were commenced against one of the bank's subsidiaries, Samuel Montagu & Co. Limited, by British & Commonwealth Holdings PLC in 1988 for an unspecified amount in connection with the proposed purchase by Quadrex Holdings Inc. of the Wholesale Broking Division of Mercantile House Holdings PLC. The proceedings have been divided into two parts; one dealing with liability (on which first instance judgement is expected in the first half of 1991, but an appeal to the Court of Appeal may well take place); and one dealing with the amount of any damages to be awarded (on which the first instance trial has yet to take place and further information is awaited from British & Commonwealth Holdings PLC as regards their claim for damages). On the basis of the information and advice currently available, the directors are of the opinion that no provision is required against the claim.

Proceedings have been issued against the bank by the Secretary of State for Trade and Industry, claiming as assignee of certain individuals who were investors with Barlow Clowes. The bank's investigations into the complex allegations made in the Statement or Claim which was served on the bank on 2nd January 1991, are not yet complete. The bank intends vigorously to defend the proceedings. On the basis of the information and advice presently available, the directors are of the opinion that no provision is required against the claim.

29 CAPITAL AND OTHER COMMITMENTS

	1990	1989
	£m	£m
Contracts for outstanding capital expenditure not provided for in these accounts amounted to		
Group	54	83
Midland Bank plc	38	43

In addition, the board has authorised capital expenditure amounting approximately to £109m (1989 £95m) for the Group and £103m (1989 £84m) for Midland Bank plc.

NOTES ON THE ACCOUNTS - continued

30 OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases were as follows:

	Premises £m	1990 Equipment £m	Premises £m	1989 Equipment £m
Group				
Expiring within 1 year	4	-	1	2
1 - 5 years	16	21	10	27
over 5 years	71	-	68	-
	<u>91</u>	<u>21</u>	<u>79</u>	<u>29</u>
Midland Bank plc				
Expiring within 1 year	1	-	-	-
1 - 5 years	7	20	3	27
over 5 years	49	-	53	-
	<u>57</u>	<u>20</u>	<u>56</u>	<u>27</u>

31 SHARE OPTIONS

Options outstanding to UK employees of the Group under the Midland Bank plc savings-related and executive share option schemes were as follows

Options	Period	1990 Price
26,376,478	1991/2000	£1.6130/3.3310
Options	Period	1989 Price
22,280,628	1990/1999	£1.6130/3.3310

NOTES ON THE ACCOUNTS - continued

32 DIRECTORS' AND OFFICERS' LOANS

The aggregate amounts outstanding at 31 December 1990 from those who were directors (including connected persons) or officers of the bank during the year, and the number of persons concerned, were as follows

	Aggregate amount outstanding £m	Number of persons
Directors		
Loans	1.1	9
Quasi-loans	*	22
Credit transactions	-	-
Officers		
Loans	0.3	3
Quasi-loans	#	3
Credit transactions	-	-

* aggregate amount outstanding was £18,110

aggregate amount outstanding was £2,961

33 DIRECTORS' INTERESTS

The interests, all beneficial, of those who were directors at 31 December 1990, in the ordinary shares of the bank were:

	At 31 December 1990		At 1 January 1990	
	Shares	Options	Shares	Options
Sir Kit McMahon	9,799	439,435	7,202	277,760
J A Brooks	37,333	172,243	36,780	172,243
Sir Kenneth Corfield	3,901	-	3,681	-
T J Cunningham	13,548	-	13,182	-
R Delbridge	1,000	220,000	1,000	-
Sir Archibald Forster	3,121	-	2,945	-
B L Goldthorpe	14,699	190,056	12,437	152,354
Sir Alex Jarratt	5,073	-	5,073	-
H E Lockhart	1,789	188,588	1,689	148,588
G E Loudon	158	54,999	150	34,999
G Maitland Smith	1,400	-	1,400	-
Sir Colin Marshall	-	-	-	-
Sir Patrick Meaney	993	-	938	-
D O'Cathain	3,097	-	2,923	-
Sir Michael Palliser	954	-	901	-
Sir Eric Pountain	4,659	-	4,518	-
H Purves	1,044	-	1,044	-
P J Wrangham	7,575	-	7,148	-

NOTES ON THE ACCOUNTS - continued

During the year the following options over bank shares were granted

Sir Kit McMahon	161,675
R Delbridge	220,000
B L Goldthorpe	37,702
H E Lockhart	40,000
G E Loudon	20,000

No director had any interests in the loan stocks of Midland Bank plc or in the share or loan capital of its subsidiaries.

No changes in any of the above interests occurred between 31 December 1990 and 5 March 1991.

34 DIRECTORS' EMOLUMENTS

The aggregate emoluments of the directors of the bank amounted to £2,635,368 (1989 £3,168,000) and consisted of fees £150,000 (1989 £137,000) and other emoluments £2,485,368 (1989 £3,031,000). In addition, pensions in respect of past services of £157,504 (1989 £146,000) were paid.

The chairman's emoluments totalled £295,703 (1989 £329,616). The emoluments of the highest paid director amounted to £429,216 (1989 £725,844).

Three directors have waived fees accruing to them for their services in 1990 totalling £36,635 (1989 £35,477).

The table below shows the number of directors (other than the chairman and the highest paid director), whose emoluments receivable from the bank and its subsidiaries fell within the bands stated.

£	1990	1989
0- 5,000	2	2
10,001- 15,000	2	2
15,001- 20,000	3	4
20,001- 25,000	1	1
45,001- 50,000	2	2
95,001-100,000	1	1
100,001-105,000	1	-
110,001-115,000	1	-
115,001-120,000	-	1
125,001-130,000	-	1
165,001-170,000	1	-
185,001-190,000	-	2
240,001-245,000	-	1
245,001-250,000	1	-
420,001-425,000	1	-
445,001-450,000	-	1

MIDLAND GROUP

FIVE YEAR SUMMARY

IVE YEAR SUMMARY

	1990	1989	1988	1987	1986	
	£m	£m	£m	£m	£m	
Profit before exceptional charges and taxation	63	616	693	511	434	
Exceptional charges	(52)	(877)	-	(1,016)	-	
Profit/(loss) before taxation	11	(261)	693	(505)	434	
Taxation (charge)/credit	(188)	57	(273)	58	(172)	
(Loss)/profit before extraordinary items	(193)	(219)	412	(456)	242	
(Loss)/profit attributable	(181)	(219)	412	(393)	242	
Shareholders' funds	2,422	2,685	3,039	2,586	2,021	
Minority interests	161	166	141	99	90	
Perpetual subordinated loan capital	824	997	888	858	1,082	
Term subordinated loan capital	1,012	1,183	970	945	1,094	
Total capital resources	4,419	5,031	5,038	4,488	4,287	
Current, deposit and other customer accounts	52,881	54,680	47,983	41,679	46,082	
Advances and other accounts	42,125	45,530	40,273	34,355	36,641	
Total assets	59,636	62,479	55,729	48,450	53,169	
Capital ratios						
total capital to total weighted risk assets	9.8%	10.0%	11.8%	-	-	
tier 1 capital to total weighted risk assets	5.4%	5.4%	6.5%	-	-	
total equity/total assets	4.3%	4.6%	5.7%	5.5%	4.0%	
Return on average shareholders' funds (loss)/profit attributable	(6.7)%	(7.7)%	15.0%	(18.9)%	12.5%	
Return on average equity						
- profit before exceptional charges and taxation	2.2%	20.7%	24.3%	23.6%	20.8%	
profit/(loss) before taxation	0.4%	(8.8)%	24.3%	(23.3)%	20.8%	
Average shares in issue (millions)	a	781	774	768	511	435
Net assets per share	a	309p	345p	395p	338p	418p
Earnings per share	a	(24.7)p	(28.3)p	53.6p	(89.5)p	55.4p
Dividends per share	a	9.0p	18.0p	16.4p	14.4p	14.4p
Dividend cover	b	-	-	3.3	-	3.9
Shareholders	c	109,236	109,379	106,361	106,387	104,494
Average base rate		14.8%	13.9%	10.1%	9.7%	10.9%

a 1986-1988 adjusted for 1989 capitalisation issue and 1986 (and first interim 1987) adjusted for 1987 rights issue

b dividend cover is calculated by dividing earnings per share by dividends per share

c number of shareholders registered at year-end

Midland Bank plc

Notice of meeting

Notice is hereby given that the 155th annual general meeting of Midland Bank plc will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2, on Thursday, 2 May 1991 at 2.30pm for the following purposes:

ORDINARY BUSINESS

- 1 To receive the report of the directors and audited accounts for the year ended 31 December 1990.

To re-appoint the following directors:

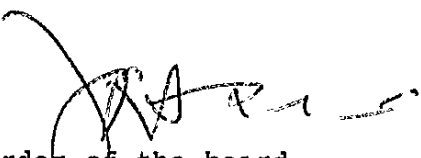
- 2 Sir Kenneth Corfield.
- 3 T J Cunningham.
- 4 B L Goldthorpe.
- 5 H E Lockhart.
- 6 B G Pearse.
- 7 Sir Peter Walters
- 8 To re-appoint Ernst & Young as auditors and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

9-13

To consider and, if thought fit, to pass the resolutions set out in the notice of special business in the circular letter to shareholders dated 4 April 1991 accompanying the Report and Accounts of which this notice forms a part. The resolutions are numbered 9 to 13 inclusive on the proxy form and resolutions numbered 9 and 10 will be proposed as ordinary resolutions, and 11 to 13 as special resolutions.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of the member. A proxy need not be a member. The completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person.


By order of the board
J R Skae, secretary
Poultry, London
4 April 1991

Notes

1 Only holders of ordinary shares are entitled to attend or be represented at the meeting. A form of proxy is enclosed with the annual report.

2 Copies of directors' service contracts of more than one year's duration or memoranda of the terms thereof will be available for inspection at the registered office of Midland Bank plc during usual business hours from the date of this notice until the date of the meeting and at the place and on the day of the meeting for at least fifteen minutes before the meeting begins until the conclusion of the meeting.

Registrars: Ravensbourne Registration Services Limited
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU (telephone: 081-650 4866)

4 April 1991

To: The shareholders; and
(for information only) the holders of the 7½% Subordinated
Unsecured Loan Stock 1983/93, the holders of the 10 3/4%
Subordinated Unsecured Loan Stock 1993/98 and the holders of
the 14% Subordinated Unsecured Loan Stock 2002/07.

Dear Shareholder,

Special business at the annual general meeting

I would like to explain the resolutions which will be proposed
as special business at the annual general meeting to be held on
2 May 1991 as set out in the notice of special business on
pages 4 to 7 of this circular letter.

Resolution number 7 (Scrip dividend)

This resolution again provides an opportunity for ordinary
shareholders to acquire additional ordinary shares without
dealing costs and gives the bank the benefit of the retained
cash and the advance corporation tax otherwise payable on the
cash dividend. By voting in favour of the resolution
shareholders are not committing themselves to a personal
decision on whether to take shares or cash in respect of future
dividends. The resolution, if passed, would be effective for
five years.

Resolution number 8 (Director's authority to allot shares)

At last year's annual general meeting the directors were given
general authority until 1995 to allot the authorised but
unissued ordinary share capital of the bank. It is proposed
that this general authority be rolled forward by one year until
1996. The maximum amount for which the authority is sought is
up to £216,368,686.

Resolution number 9 (Disapplication of pre-emption rights)

As has become normal practice, it is proposed to ask
shareholders to renew the power granted to directors at last
year's annual general meeting to allot ordinary shares for cash
within certain limits otherwise than pro rata to ordinary
shareholders. If approved, this proposal would empower the

directors to allot shares for cash provided that, except in a rights issue, the new shares did not exceed 5 per cent of the issued ordinary share capital.

The directors believe that the proposals in resolutions 8 and 9 would continue to provide the board with a prudent measure of flexibility for them to act in the bank's interests.

Resolution number 10 (Summary financial statements)

The Companies Act 1989 and regulations made under it allow listed companies to issue summary financial statements to those shareholders who do not wish to receive the full annual report and accounts. The proposed amendments to the articles of association contained in resolution 10 will enable the directors to introduce summary financial statements in 1992 or subsequently, if they should so decide. Shareholders wishing to receive the full audited accounts would continue to do so.

Resolution number 11 (Investigation of share ownership)

Article 66 was introduced in its present form in 1982. The article empowers the directors to withdraw the voting rights attaching to the shares in certain circumstances and, in particular, where there has been default in providing the bank with information as to the ownership of its shares. The opportunity is being taken to seek shareholders' approval to the adoption of a revised article 66, which reflects recent changes in the Rules of The International Stock Exchange. The proposed new article enables sanctions to be imposed where there has been default for at least 14 days in providing the requested information, unless the relevant shareholding is less than 0.25 per cent in which case the period remains 28 days. In addition, where the relevant shareholding is 0.25 per cent or more, the sanctions would also include the right to withhold the payment of dividends as well as a restriction on their transfer, but all sanctions would cease to apply if the information required were provided, or if the shares were sold on a stock exchange market or as part of a merger, or otherwise to an unconnected party.

Your board considers that the above proposals are in the best interests of the bank and recommends that shareholders should vote in favour of the resolutions. The directors intend to vote in favour in respect of their own beneficial holdings.

You will find enclosed a reply paid form of proxy which, to be effective, must be completed and returned so as to reach the bank's registrar as soon as possible but in any event not less than forty-eight hours before the time for holding the meeting.

Yours sincerely

(Signed) Kit McMahon

Chairman

Notice of special business

Notice is hereby given that the following resolutions will be proposed as special business at the annual general meeting of the bank to be held on Thursday, 2 May 1991 at 2.30pm. resolutions 7 and 8 will be proposed as ordinary resolutions and resolutions 9 to 11 will be proposed as special resolutions.

7 Ordinary resolution (Scrip dividend)

That the directors of the bank be and are hereby authorised to exercise the powers conferred on them by article 114A of the bank's articles of association in respect of any ordinary dividend declared by the shareholders in general meeting or by the directors before the annual general meeting of the bank in 1996.

8 Ordinary resolution (Directors' authority to allot shares)

That the general authority conferred on the directors by article 8B (1) of the articles of association of the bank be renewed for a period of five years from the date of the passing of this resolution and that for such period the prescribed amount (as referred to in that article) be £216,368,686.

9 Special resolution (Disapplication of pre-emption rights)

That for the purposes of article 8 of the articles of association of the bank:-

- (a) the power conferred by paragraph B (2) (a) of that article (disapplication for small cash issues) be renewed and the special prescribed period (as referred to in that article) be the period from the date of the passing of this resolution to the conclusion of the annual general meeting in 1992, or 2 August 1992 if earlier (so that the aggregate nominal amount of equity securities allotted for cash during such period shall not exceed £39,181,565).
- (b) conditionally upon the passing of resolution 8 comprised in this notice, the power conferred by paragraph B (2) (b) of that article (five year disapplication for rights issues) be renewed.

10 Special resolution (Summary financial statements)

That article 127 of the articles of association of the bank be and it is hereby amended by the insertion, immediately before the words "shall not less than twenty one days", of the following words:-

"or, where permitted, a summary financial statement or other document as may be authorised by the Statutes".

11 Special resolution (Investigation of share ownership)

That the articles of association of the bank be and they are hereby amended by the deletion of article 66 (when right to vote excluded) and the substitution therefor of the following new article:-

- "66 (A) No Member shall, unless the Directors otherwise determine, be entitled in respect of any share held by that Member to vote at any general meeting either personally or by proxy or at any separate meeting of the holders of any class of shares or to exercise any other right conferred by membership in relation to any such meeting if any call or other sum presently payable by the Member in respect of that share remains unpaid.
- (B) If any Member, or any other person appearing to be interested in any shares in the Company held by that Member, has been duly served with a notice (a "Section 212 Notice") under Section 212 of the Companies Act 1985 ("the Act") and is in default for the prescribed period in supplying to the Company the information thereby required, then at any time thereafter the Directors may at their absolute discretion by notice to such Member (a "direction notice") direct:-
- (i) that in respect of shares in relation to which the default occurred ("default shares", which expression shall include any further shares issued after the date of the Section 212 Notice in right of the first-mentioned shares) such Member shall not be entitled to vote at any general meeting either personally or by proxy or at any separate meeting of the holders of any class of shares or to exercise any other rights conferred by membership in relation to any such meeting; and/or
- (ii) if the default shares represent, at the date of the direction notice, 0.25 per cent or more of the issued shares of the relevant class of shares in the Company, that:-
- (a) any dividend (or part thereof) or other moneys which would otherwise be payable on such shares shall be retained by the Company until such time as the direction ceases to have effect (without any liability on the part of the Company to pay interest thereon) and that prior to such time the acceptance of an offer made by the Company under Article 114A in respect of any such dividend shall be of no effect; and/or

- (b) no transfer, other than an approved transfer, of any of the default shares shall be registered.
- (C) The Company shall send a copy of the direction notice to each other person appearing to be interested in the relevant default shares, the address of whom has been notified to the Company, but the failure or omission by the Company to do so shall not invalidate such notice.
- (D) Any direction notice shall have effect in relation to default shares in accordance with its terms but shall cease to have effect:-
 - (i) on the expiry of five business days after the Company has received in writing all information required in respect of those default shares by every Section 212 Notice served on the holder thereof and each other person appearing to be interested in such shares; or
 - (ii) if such shares are transferred by means of an approved transfer; or
 - (iii) if and to the extent that the Directors so determine.
- (E) Where any person appearing to be interested in any shares has been served with a Section 212 Notice and such shares are held by a recognised depositary, the provisions of this Article shall be deemed to apply only to those shares held by the recognised depositary in which such person appears to be interested and references to default shares shall be construed accordingly.
- (F) Where the Member on whom a Section 212 Notice has been served is a recognised depositary, the obligations of the recognised depositary acting in its capacity as such shall be limited to disclosing to the Company such information relating to any person appearing to be interested in the shares held by it as has been recorded by the recognised depositary pursuant to the arrangements entered into by the Company or approved by the Directors pursuant to which it was appointed as a recognised depositary.
- (G) For the purpose of this Article:-
 - (i) a person shall be treated as appearing to be interested in any shares if the Member holding such shares has given to the Company a notification under Section 212 of the Act

which names such person as being so interested or if the Company (after taking into account the said notification and any other notification under the Act or any relevant information otherwise available to the Company) knows or has reasonable cause to believe that the person in question is, or may be, interested in the shares, and references in this Article to persons interested in shares and to interests in shares shall be construed in accordance with Section 212 (5) of the Act;

(ii) the prescribed period in respect of any shares is 28 days from the date of service of the Section 212 Notice in respect thereof, except where the shares to which such notice relates represent, at the date of the notice, 0.25 per cent. or more of the issued shares of the relevant class of shares in the Company in which case such period shall be 14 days;

(iii) a transfer is an approved transfer if (but only if):-

(a) the transfer results from a sale made through a recognised investment exchange (as defined by the Financial Services Act 1986) or any stock exchange outside the United Kingdom on which the Company's shares (or rights in respect of those shares) are normally traded; or

(b) it is a transfer of shares to an offeror by way of acceptance of or in pursuance of a take-over offer (within the meaning of Section 14 of the Company Securities (Insider Dealing) Act 1985) for the Company; or;

(c) the Directors are satisfied that the transfer is made pursuant to a sale to a party who, in the opinion of the Directors, is not connected with the holder thereof or with any other person appearing to be interested in such shares prior to such transfer (being a party which itself is not the holder of any shares in the Company in respect of which a direction notice is then in force or a person appearing to be interested in any such shares) and the Directors do not have reasonable grounds to believe that the transferor or any other person

appearing to be interested in such first-mentioned shares will following such transfer have any interest in such shares;

(iv) a recognised depositary is a custodian or other person appointed under arrangements entered into with the Company or otherwise approved by the Directors whereby such custodian or other person holds or is interested, directly or indirectly through a nominee, in shares of the Company or rights or interests in respect thereof and issues securities or other documents of title, or maintains accounts, evidencing or recording the entitlement of the holders thereof, or account holders, to or to receive such shares, rights or interests, provided and to the extent that such arrangements have been approved by the Directors for the purposes of this Article and shall include, where so approved by the Directors, the trustees (acting in their capacity as such) of any employees' share scheme established by the Company;

(v) a reference to a person being in default in supplying to the Company the information required by a Section 212 Notice includes a reference to his having failed or refused to give all or any part of it and also includes a reference to his having given information which he knows to be false in a material respect or having recklessly given information which is false in a material respect.

(H) None of the provisions contained in this Article shall in any way limit or restrict the rights of the Company under Sections 212 and 216 of the Act or any order made by the court under Section 216 of the Act nor shall any sanction imposed by the Directors pursuant to this Article cease to have effect, otherwise than as provided in this Article, unless it is so ordered by the court."