

14259

1194

# Midland Bank Group

## Annual Report and Accounts 1983



## Contents

Financial summary	2
Statement by the Chairman	3
Review of group operations by the Group Chief Executive	6
Board of Directors	16
General Management	17
Report of the Directors	18
Directors' interests	21
Analysis of the shareholders	22
Consolidated profit and loss account	23
Consolidated balance sheet	24
Balance sheet	26
Statement of source and application of funds	28
Notes on the Accounts	29
Current cost profit and loss account	46
Current cost balance sheet	47
Notes on the current cost accounts	48
Report of the Auditors	49
Five year summary	50
Supplementary financial information	51
Crocker National Corporation	60
European Banks' International Company	61
Regional head offices	62
Offices overseas	63
Principal subsidiaries	64

## Financial calendar

### Registered office

Midland Bank plc  
Poultry  
London EC2P 2BX  
Tel: 01-606 9911

### Registrars

Ravensbourne Registration Services Ltd  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Dividend payments	April and October
Interest payments	
7½% Subordinated Unsecured Loan Stock 1983/93	30 June and 31 December
10½% Subordinated Unsecured Loan Stock 1993/98	30 June and 31 December
14% Subordinated Unsecured Loan Stock 2002/07	31 May and 30 November
Half-yearly results announced	July
Annual General Meeting 1984	25 April



## Financial summary

	Amounts in £ millions	
	1983	1982
Profit before taxation	225	251
Profit attributable	114	145
Shareholders' funds	1,899	1,562
Total capital resources	3,355	2,883
Total assets	52,613	47,999
Free capital ratio	4.6%	4.0%
Loan capital ratio	27.0%	28.8%
Earnings per share	60.6p	82.4p
Dividends per share	25.5p	25.5p
Dividend cover		
Historical cost	2.4	3.4
Current cost	—	2.0
Year-end full-time equivalent staff numbers		
UK	62,082	63,077
Overseas	20,522	21,280
	<u>82,604</u>	<u>84,357</u>

Midland

Sta

Sir D

Our place in the market has been a constant work in progress. The year has seen the spread of our business and the confidence of our customers. The year has also seen the growth of our business and the confidence of our customers.

The year has also seen the growth of our business and the confidence of our customers. The year has also seen the growth of our business and the confidence of our customers.

The year has also seen the growth of our business and the confidence of our customers. The year has also seen the growth of our business and the confidence of our customers.

The year has also seen the growth of our business and the confidence of our customers. The year has also seen the growth of our business and the confidence of our customers.

Cro

## Statement by the Chairman



Sir Donald Barron DL

Our operations during 1983 took place against a background of tentative signs of recovery from the world-wide recession. By the end of the year, the evidence of an upturn in the world economy had begun to spread from North America to Japan and to some parts of Europe. Here in the UK, for example, the latest reports from our branch management confirm the CBI and other surveys in pointing to some improvement in the general business situation and to an increase in business confidence.

The international debt servicing problem which had dominated the international banking scene during the latter part of 1982, continued during 1983 to demand and receive much attention and, during the course of the year, there was rising confidence that the immediate tactical short-term battles had been won and that some time – but not too much – had been gained in which to resolve the longer term problems.

The Midland Group's own objectives for 1983 were to strengthen our capital ratios, to increase marketing impact, to improve further our cost position and thus to continue the upward trend of profits and earnings.

As the year progressed, it seemed likely that all these objectives would be achieved even allowing for the higher bad and doubtful debt charges we planned to make, particularly in the International Trade Services area which has been badly affected by the recession and high real interest rates. However, in December, the Board of Crocker National Corporation, in

which we hold a 57% equity interest, decided that they should provide an additional US\$107m principally against possible bad debts, making their total provisions for the year US\$ 173m (£120m). Since Crocker's profits are fully consolidated in Midland's accounts, these provisions are, of course, reflected in our results. I shall refer again later to our investment in Crocker.

In the event, therefore, the outcome is a reduction in pre-tax profit of some 10%. This is a disappointing return for a year of hard effort and much achievement in the Group's core businesses, during which we successfully attained our other main objectives.

### Financial Results

Trading profit before provisions for possible bad debts was 20% up at £612m against £511m last year; pre-tax profit was £225m compared with £251m. There were good performances from our major operations in the UK banking, international banking and Treasury divisions with continued improvement in the trend of costs, interest spreads and non-interest earnings. With the exception of Crocker and International Trade Services, all our main subsidiary companies earned higher profits.

In arriving at the pre-tax profit, provisions for bad and doubtful debts amounting to £318m have been charged compared with £196m last year. The division of the 1983 charge was £228m for specific provisions and £90m for general provisions; these figures compare with £162m and £34m respectively in 1982.

The total provisions outstanding at the year end amounted to £673m against £484m at the beginning of the year and, of this, £244m was in general provision. Your Board regards the setting aside of these sums as a proper measure of prudence and caution at this time in view of the inevitable decline in the quality of loans during a time of recession and the continuing high level of real interest rates.

For a variety of reasons – including the non-allowability, for tax purposes, of some of the provisions – the tax

charge is somewhat higher this year than in the past two years and this has an effect on basic earnings which are 60.6p per share against 68.9p per share last year (before the exceptional tax credit).

### Capital

During the year we have taken steps to strengthen further our capital position. A successful rights issue announced in July raised £155m and following a 'shelf registration' in the United States, US\$150m of Guaranteed Notes were issued there in November. In view of favourable conditions in the Eurobond market in February 1984, we took the opportunity to issue US\$200m of Guaranteed Floating Rate Notes as part of our normal capital management programme.

Our free capital ratio at the year end was 4.6% compared with 4.0% at the end of 1982.

### Investment Expenditure

During the year, the Group spent £135m on fixed assets – £78m in the UK and £57m internationally – mainly on premises, and computer and telecommunications equipment. Your Board has also approved several large projects which will be completed over a number of years – notably the MIDNET voice and data telecommunication network costing some £12.5m. This exciting development using the latest technology will link together all the Group's operating units in the UK in a way which will make possible improved service to our customers – corporate, personal and international – as well as greater operating efficiency at lower costs.

### Midland's Investment in Crocker

The results of Crocker National Corporation since we acquired our 51% holding in 1981 (later increased to 57% on a fully diluted basis) have been disappointing – particularly in the light of Crocker's results in the previous five years when, reflecting the enthusiasm of a new and vigorous

management team and a buoyant Californian economy, showed a continuous upward trend.

The general effects of the world recession and the sharp reversal of California's exceptional growth rate, combined with the specific effects of exposure in real estate and agricultural loans, led to a position in which the total amount of Crocker's non-performing loans created a strong probability of a depressing effect on earnings for some years ahead. To give the necessary flexibility required to reduce the non-performing loan portfolio, the Crocker Board informed us in December 1983 that they had decided to set aside a special provision of US\$107m out of 1983 profits making a total provision for the year of US\$173m (£120m). As a result, Crocker reported a loss before tax of US\$20m in 1983.

We have concluded that, in future, Midland should play a more direct part in Crocker's operations and it has been decided that the 'maximum operational autonomy' given to Crocker management under the 1980 Investment Agreement is no longer appropriate. Mr. John Harris, one of our Executive Directors, has taken up residence in San Francisco; he has been appointed Senior Vice Chairman of Crocker and will be fully involved in their decision taking processes.

Our investment in Crocker was made as part of a long-term strategic development to broaden our international base. The events of recent months do not alter our view of the correctness of that strategy or our confidence that Crocker will in due course prove a sound and necessary investment.

#### The World Economic Scene

A major feature of the year has been the remarkable strength of the US dollar accompanied by relatively stable foreign exchange markets in other currencies. After the March re-alignment, the European Monetary System succeeded in maintaining a fair degree of stability between the member currencies; and sterling, after passing through a period of uncertainty before the election, ended the year with its trade-weighted value

down by less than 2%. In general terms, progress has been made throughout the developed economies in controlling inflation; it is essential that further expansion is achieved without the re-emergence of inflationary pressures and a consequential tightening of credit conditions. This is especially important in the United States which is the major influence on world interest rates, but concern remains over the size of the US budget deficit and its effect on credit markets.

Within the United Kingdom, the annual rate of inflation for retail prices at the end of 1983 was about 5%; broadly the same as at the start of the year. This was encouraging in the light of the increase in the level of economic activity recorded during the year - which now turns out to be higher than originally suggested. Recovery was also aided by a reduction in the cost of borrowing as the banks' base rates fell by two percentage points between March and October. The substantial increase in consumer spending - especially on durables financed by borrowing - did not, however, lead to a commensurate expansion of domestic output or to any substantial increase in stock building.

The strength of the recovery, and its power to bring about any decline in the level of unemployment, will depend on British producers being able to gain a greater share of the demand both from domestic and overseas sources. It may be that the conditions for this are being re-established as a result of the recovery in business profits which continued and, indeed, accelerated last year assisted by relatively rapid productivity growth and moderate pay settlements. The importance of a healthy level of profits and its directly encouraging effects on new investment, new product development and marketing initiatives cannot be overstated.

#### The International Debt Problem

It was fitting that 1983 should end with formal approval of a substantial increase in the quotas for the International Monetary Fund (IMF) and of other parallel supportive

measures. Great credit is due to the IMF for devising an effective formula both to contain the international debt problem in the short term, and to lay the foundation for recovery. The main elements of the formula involved bridging loans from official sources, agreement with the debtor country on a formal economic adjustment programme, rescheduling of maturing debt and the provision of new finance to support the economic adjustment.

Nevertheless, it was the commercial banking sector which provided the larger share of new funds, as well as bearing the main burden of rescheduling. The new money has been described as 'involuntary lending' since each IMF programme was conditional upon its provision. But that description underplays the role of the banks, including Midland, which have accepted the need for a disciplined and co-operative approach to the complex solution of this global problem.

If the emergency measures of 1983 are to lead to a lasting improvement, further progress will need to be made along the following lines. First, an improvement must be secured in the trading positions of the debtor countries whose export trading activities have been curtailed by the recession and by the steps taken to achieve economic adjustment. Second, to assist in this improvement, the trade policy commitments made by the leaders of the major developed countries at the Williamsburg Summit in the Spring of 1983 will need to be put into practice; the rising trend of protectionism must be stemmed and, ultimately, reversed. The third requirement is that financial flows to debtor countries should remain at adequate levels. The banks clearly have an important role to play here, along with the international financial agencies. However, developing countries could improve their longer term prospects by giving greater encouragement to direct investment and to its associated and equally important flow of 'know-how'; this would be a positive step towards a more integrated and stable world economy.

Whilst it is important that answers are found in the short term to

problems as they arise, it is also important that active steps are taken to lay the way in which the world is developed in the future. Without that forward-looking approach, term palliatives will not create the right climate for financial investment confidence and growth in the world economy. In this context, an encouraging sign was the publication of 'Towards a New Bretton Woods' which had been commissioned by the Commonwealth Fund. The proposals in this Report are now being considered. It is to be hoped that they will result.

#### Directors and Senior

During the year, there have been changes in the membership of the Board which are mentioned in the Report of the Directors. In particular, the retirement of Lord and to record, with the resignation of Sir John Hunter and Lord Watkinson has been announced. Lord Watkinson has been a Deputy Chairman of the Bank for 19 years since 1966. He brought to the Bank wisdom and experience of a distinguished career in the Government and of business. Sir John made a valuable contribution to our discussions backed by his commercial experience of the industries of the United Kingdom and the customer base.

Since the turn of the year, the Board has elected to the Board Mr. Hohen-Brown, who is the Chief Executive of the Bank. Further changes are to take place at the Meeting at which Dame Rosemary M. Thomas R. Wilcock will be standing for re-election to the Board for a last six of which he has been Deputy Chairman. Bank outstanding is grateful to him for his contributions. Dame Rosemary has given close attention to the Bank during her

problems as they arise, it is equally important that active thought is given now to the way in which the system is developed in the medium term. Without that forward thinking, short-term palliatives will not create the right climate for financial stability, investment confidence and sustainable growth in the world economy. In this context, an encouraging event of 1983 was the publication of the Report, "Towards a New Bretton Woods", which had been commissioned by Commonwealth Finance Ministers. The proposals in this forward looking Report are now being studied and it is to be hoped that positive initiatives will result.

#### Directors and Senior Management

During the year, there were a number of changes in the membership of your Board which are mentioned in the Report of the Directors. I would like to mention in particular the retirement of Lord Watkinson in July and to record, with sadness, the death of Sir John Hunter in December last. Lord Watkinson has been a Director of the Bank for 19 years and served as a Deputy Chairman from 1969 to 1976. He brought to our Board the wisdom and experience of a distinguished career in Parliament and Government and of many years in business. Sir John made a valuable contribution to our boardroom discussions backed by his wide commercial experience, particularly in the industries of the North-East of England where the Bank has a strong customer base.

Since the turn of the year, we have elected to the Board Sir Derrick Holden-Brown, who is Chairman and Chief Executive of Allied-Lyons PLC. Further changes in the Directorate are to take place at the Annual General Meeting at which Sir Reay Geddes, Dame Rosemary Murray and Mr. Thomas R. Wilcox will not be standing for re-election. Sir Reay has been on the Board for 17 years, the last six of which he has been a Deputy Chairman. He has given the Bank outstanding service and we are grateful to him for his many contributions. Dame Rosemary has given close attention to the affairs of the Bank during her six year term of

office and we thank her for her wise counsel. I paid tribute to Tony Wilcox in my last Report on his retirement from the Chairmanship of Crocker National Corporation in September 1982; his decision to retire from the Board of Midland Bank is in line with the conclusion of his agreed term of service with Crocker. The Board has appointed Sir Patrick Meaney as a Deputy Chairman; Sir Patrick has been a Director of the Bank since 1980.

1983 was a year of considerable change in the ranks of the senior management of the Bank. At Chief Executive level, Mr. Michael Julien was appointed Group Finance Director and Mr. Brian Goldharpe a Director and Chief Executive (Group Risk Management) following the retirement from the Board of Mr. Dennis Kitching who had given great service to the Bank over 42 years.

Mr. Ernst Brutsche, a partner in our German subsidiary, Trinkaus und Burkhardt, assumed responsibility for our Group Treasury operations based in London and, in February 1984, Mr. Hervé de Carmé succeeded Mr. John Harris as Chief Executive, International Banking.

Four senior members of our General Management team, Mr. Alan Knights, Mr. Dennis Gladwell, Mr. Ken Cox and Mr. George Barrett also retired during 1983. Each of them had devoted the whole of their working lives to the service of the Bank and I record our gratitude to them for their respective contributions to our development. Mr. John Bennett and Mr. Robert Wyatt have been appointed General Managers.

#### The Staff of the Group

The staff of the Group, nationally and internationally, have again shown a firm commitment to the tasks they faced in 1983 and to the challenges of making plans for 1984.

They have demonstrated their enthusiasm for innovation and for the new technology which is a feature of today's banking environment and which adds a new dimension to their long traditions of service to the consumer.

I am sure shareholders and customers (many of whom write to me commenting favourably on the

service they receive) will wish to join the Board in thanking them for their considerable efforts in a difficult year.

#### Outlook

Around the world, the banking industry is in a state of rapid change. It is easy to assume that this is a direct consequence of the pace of new developments in electronics and telecommunications and, while this is partly so, it is important to recognise that significant changes in attitudes underlie many of the developments now taking place. For example, the very positive attempts to seek out the requirements of the customer—whether personal, corporate or multinational—are evidence of a new marketing orientation.

As a major international bank, Midland welcomes this new environment; during the year a detailed and extensive survey of consumer needs was carried out and is being used in the development of new products and marketing approaches. The Review in the following pages gives details of the new services and products we have introduced and of the attention we are giving to the continuing programme of improvement of our operating systems and equipment and to the training of Midland Bank people.

At a strategic level, we continue to keep firmly in our sights our main objectives of profitably employing our assets, of controlling costs and of giving the highest level of service to our customers around the world. This involves building on the strengths of the Group and of directing the necessary resources, both management and capital, to the areas where additional support is required. The changes we have made, and will continue to make, in the organisation, management and direction of the Group are all designed to ensure that the upward trend of profitability and earnings will be resumed in 1984 and that our main objectives will be achieved.

*Donald Barron*

Donald Barron  
3 March 1984

*Donald Barron*

## Review of group operations by the Group Chief Executive



Geoffrey W. Taylor

### 1983 - A Year of Consolidation

In 1983, our aim was to bring about a pause in the pace of expansion, which has been so much a feature of the Group, in recent years, to consolidate business and to build a new executive team which would carry the Group through the remainder of the decade and into the 1990s. At the same time, pressure was intensified on the control of costs and more energies were devoted to the development of new services and products. Despite the setback to Group profits caused by the problems in California, I can report that the objectives for the year were largely realised.

A modern banking Group needs a blend of skills which, from time to time, have to be supplemented by other than internally trained staff. During 1983, Group Finance and Group Treasury were strengthened by the arrival of Michael Julien and Ernst Brutsche respectively. A number of other people at senior levels have also joined us.

Brian Goldthorpe moved into a new function - Group Risk Management - through which we will be reviewing lending standards and credit training throughout the Group. The current bad debt experience of all major international banks gives an indication of the rate at which economic change can overtake even the strongest organisations. Taking advantage of modern technology, our goal must be to develop bankers who are in step with the market place and who can operate in a complex world where the inter-relationship between assets and liabilities calls for constant watchfulness.

Our customers, whether personal or business, have a range of borrowing and investing options greater than at any time before. This means that Group Treasury must maintain a 24 hour round-the-clock vigil, watching and participating in markets both to protect our liquidity and to ensure that customers receive the service which they are entitled to expect from the Midland Group.

*The Elephant Money Box is an integral part of Midland Bank's image as a savings institution. Over 500,000 have been sold.*

Readers of this Report have a wide variety of reasons for taking an interest in the Group's activities and performance. Having told you of some of the broad issues which are being given priority I will now refer in more detail to the various businesses within the Group and some of their plans for 1984.

### The Group in the UK

#### England and Wales

In the face of intense competition in the personal savings market in 1983, the Bank has worked hard to co-ordinate its personal customer savings services by promoting them under the banner 'Midland Savings'. The gaps which remained in our product range were largely filled earlier in 1984 by the new High Interest Cheque Account, so that a truly comprehensive range of savings products is currently offered, showing our commitment to promote the Bank as a savings institution, caring for the personal saver.

In other areas, we have continued to improve our range of financial services to reflect our customers' changing habits and their increasingly sophisticated needs. Notable among these, our decision to join the Uniform Eurocheque scheme has proved very successful with more than 170,000 cards being issued during 1983. We expect to see an increasing use of this scheme, especially by those seeking the additional facilities for cash withdrawal and account payment offered by the Eurocheque system in most European countries. From 1 June, cardholders will be able to use their Eurocheque cards in cash dispensers in Spain. The service will



rapidly be expanded to Europe and, when our network will comprise machines in 30 different

Another innovation was to link our Personal and Borrow and Budget an optional protection sickness, accident and This service also provides approximately one quarter of Personal Loan customers the protection plan.

At the same time the sector has been given attention, 1983 has also seen a number of initiatives on the front. The establishment of the Business Sector Mark co-ordinated the development of services, products and activity to our business second stage in the service our presence in this market. Introduction of our Service at the end of specialised service with a number of carefully trained Regional Business

During 1983 the Finance Division experienced a recovery in the profitability of many of its based commercial and



rapidly be expanded throughout Europe and, when completed, the network will comprise at least 10,000 machines in 19 different countries.

Another innovation during 1983 was to link our Personal Loan, Save and Borrow and Budget accounts with an optional protection plan covering sickness, accident and redundancy. This service also proved popular, with approximately one quarter of all new Personal Loan customers taking up the protection plan.

At the same time as the personal sector has been given considerable attention, 1983 has also seen a number of initiatives on the business customer front. The establishment of the Business Sector Marketing Unit has co-ordinated the development of services, products and marketing activity to our business customers. A second stage in the streamlining of our presence in this sector, was the introduction of our Business Advisory Service at the end of 1983. This specialised service will be staffed by a number of carefully selected and fully trained Regional Business Advisers.

During 1983 the Bank's Corporate Finance Division experienced some recovery in the profitability and liquidity of many of the major UK based commercial and industrial

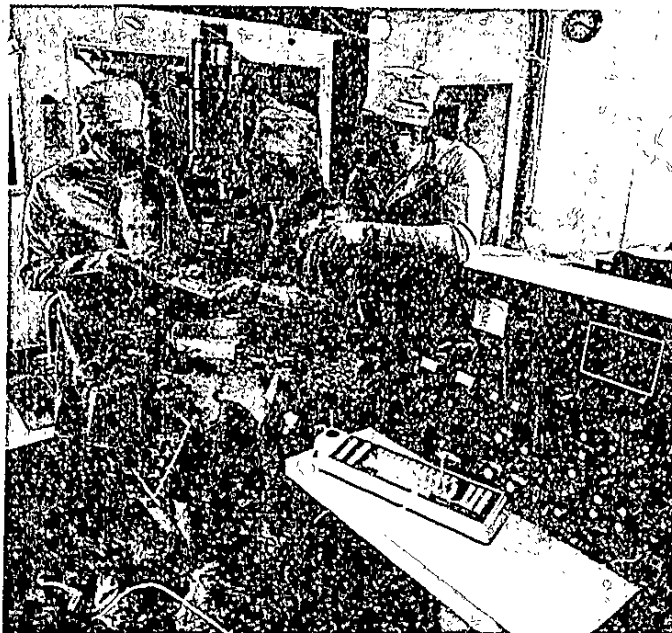
groups, particularly those in the consumer market. While the expected upsurge in the raising of long-term capital through the bond markets did not materialise, our own medium term lending remained steady and we were again well placed to meet the working capital needs of industry. 1983 was a year marked by many successful rights issues, acquisitions and management buy-outs, and the Division played a major role in providing appropriate supporting financial packages.

Whilst there is now evidence to suggest that the economy is beginning to recover from the recession, some businesses and sectors of the economy continue to experience particular problems. The Bank's resources and wide experience continue to be available to assist customers who are in difficulty and, where the businesses concerned are large or the problems particularly complex, the special skills available in our Corporate Finance Division continue to be used.

The aim of these staff are, wherever possible, to adopt a positive approach to the planned repayment of difficult loans and to liaise closely with the management of the company concerned to seek a mutually acceptable recovery strategy. I am

pleased to report that, once again, a significant proportion of those companies which had faced severe difficulties are now trading successfully as a result of strategic and financial programmes produced in partnership with the Bank.

Within the major corporate sector, our marketing effort has been concentrated on the further development of our cash management, foreign exchange and new improved payment transmission services. We are now capable of meeting the widest needs of the Finance Directors and Treasurers of our major clients and further office automation projects were launched to support our Corporate Finance Directors. These will provide electronic links to member companies of the Midland Group world-wide as well as on-line individual computing capacity.



Midland Bank's Corporate Finance Director for the Electronics Industry, Mr. C. M. Amies (left), discusses Cambridge Instruments' electron beam micro-lithography equipment with the Company's Chairman, Mr. T. J. Gooding (centre), and Managing Director, Mr. C. Segal (right).





*Midland Bank's experimental Shoppers' Branch in Leamington Spa.*

In the UK branch network we have combined new technology with modern office designs in order to experiment with exciting new branch styles. 1983 saw the introduction of our first 'Shoppers' Branch' at Leamington Spa. This represents a significant move away from the traditional bank premises by introducing open plan concepts in a relaxed and friendly environment. These ideas have been well received by our customers and we shall continue to try out other variations on these themes in 1984.

In 1983 we moved further towards completing our plans for branch network reorganisation with the opening of three new Area Offices. This concept, whereby business customers are served by a central management team with particular

specialisations working from an Area Office, is well suited to certain city locations forming natural business districts. Area grouping of management has proved successful particularly in directing, planning and motivating the activities of a group of branches. In 1983, a number of senior branch managers were designated Area Managers and, although they will not have formalised Area Offices from which to operate, their role in leading the activities of a group of branches primarily for business development purposes was officially recognised.

Last year, I reported on the introduction of small computers known as branch controllers. This programme continued in 1983 and the organisation is now beginning to reap the benefits of this and other new

developments. This is not only efficiency, but also provides better and service to technology. It is a report on our experiment which is currently 300 customers staff. Further the process of order to allow banking and facilities.

Our programme have a suitable teller machines continued in 1983 installation of reciprocal arrangements Westminster Bank mentioned in last year's report brings the total accessible by our approximately 200 branches indication that the received. Our 'i' Autobank programme on target, and 1984 preparation of plan on at non-bank further improve.

In common with Clearing Banks, we have been actively involved in the development of Automated Payments which was introduced in 1984. The introduction



developments in branch equipment. This is not only improving staff efficiency, but also our ability to provide better information responses and service to our customers. On the technology front I am also pleased to report that our home banking experiment went 'live' in September and is currently being tested by over 300 customers and 100 members of staff. Further central equipment is in the process of being purchased in order to allow expansion of home banking and the introduction of new facilities.

Our programme to ensure that we have a suitable coverage of automated teller machines (AutoBanks) has continued in 1983 with the installation of further machines. The reciprocal arrangement with National Westminster Bank, which I mentioned in last year's Report, brings the total number of machines accessible by our customers to approximately 2,000 with every indication that it has been well received. Our 'through the wall' AutoBank programme is continuing on target, and 1983 has also seen the preparation of plans for their installation at non-bank locations which will further improve this popular service.

In common with the other UK Clearing Banks, Midland Bank has been actively involved in the development of the Clearing House Automated Payments System, CHAPS, which was introduced on 9 February 1984. The introduction of the system

will improve considerably the same day settlement procedures available to the London banking community. The CHAPS network is complementary to our already extensive automated payments service, available to all customers for the quick and efficient transfer of funds.

These developments, the continued viability of the domestic retail business, and our commitment to the containment of costs in the areas of personnel and premises, have enabled Midland Clearing Bank in England and Wales to make impressive progress in 1983.

With 75 years of successful business, Midland Bank Trust Company continues to offer a wide range of executor, trust, investment and taxation services through its separate branch network of 50 offices in England and Wales. The Company had another highly successful year in 1983 in terms of new business and produced record pre-tax profits in excess of £6m. Total funds now held by this subsidiary on behalf of personal and corporate customers are valued in excess of £10bn, the Company being acknowledged as the leading Corporate Trustee in a number of specialised fields.

As a subsidiary of the Trust Company, Midland Bank Group Unit Trust Managers offers a range of ten unit trusts - now titled Midland Bank Unit Trusts - with funds under management having a value in excess of £100m. This investment vehicle,



AutoBank



Home Banking

route an Area  
certain city  
business  
of  
successful  
planning and  
of a group of  
number of senior  
designated  
though they  
Area Offices  
their role in  
a group of  
business  
officially

on the  
computers  
users. This  
1983 and the  
taining to reap  
other new

well suited for the smaller investor, continues to progress and in 1983 made a worthwhile contribution to Group profits.

Midland Bank Insurance Services has continued to expand the range of insurance and insurance related products that it provides to both personal and corporate customers. The past year has seen this rapidly developing company again producing record figures in terms of new business and profitability, the latter being in excess of £5m.

The Midland Bank Industrial Equity Holdings Group of companies offers an extensive range of financial assistance for management buy-outs, new developments and start-up schemes. Currently over £30m is invested in a wide range of companies whose diverse activities include high street retailing, biotechnology and engineering.

The benefits from an equity investment need to be assessed over the long term, but the profit performance of this sub-group improved considerably in 1983 and the excess of the Directors' valuation of the portfolio over the book value showed a marked increase.

By deploying some of our resources in this way we are giving active support to the successful revival of UK industry and the country's economy.

*Clydesdale Bank's business encompasses both traditional and modern industries.*



## Scotland

The recession continues to be felt keenly in Scotland and trading conditions are difficult. However there are some exciting developments in the North Sea oil and gas industries, and the micro-electronics sector maintains its steady growth. Clydesdale Bank is well represented in both these fields of activity which encourages some optimism about future prospects, despite the continued decline in other, predominantly heavy manufacturing industries. Pre-tax profit for the year to December was £18m.

On the banking front, the progress in introducing electronics and wider automation to a variety of customer services is already showing substantial benefits. Clydesdale Bank's AutoCash Account, which has been available to the public for almost two years now, has more than fulfilled all our expectations with its ability to handle routine banking business. Virtually all AutoCash Account transactions are handled electronically through the AutoBank Card and its use in 24 hour cash dispensers and at counter terminals.

Early in 1983 the Counterplus experiment was successfully extended to include a total of 24 BP filling stations in the Glasgow and Aberdeen areas. Use of this system of electronic funds transfer at point of sale grows every week as more and more customers recognise the convenience and safety it offers.

## Ireland

1983 was another difficult year in Northern Ireland, both politically and economically, but despite this adverse trading environment I am pleased to report that Northern Bank produced a significantly improved performance with pre-tax profits of £10m.

In the Republic of Ireland the branch network operates under the most difficult circumstances. Profit potential is hindered by the imposition of a further Government levy of IR£25m on the bank industry, together with the Government's deflationary policies which are greatly curtailing the demand for financial services and support.



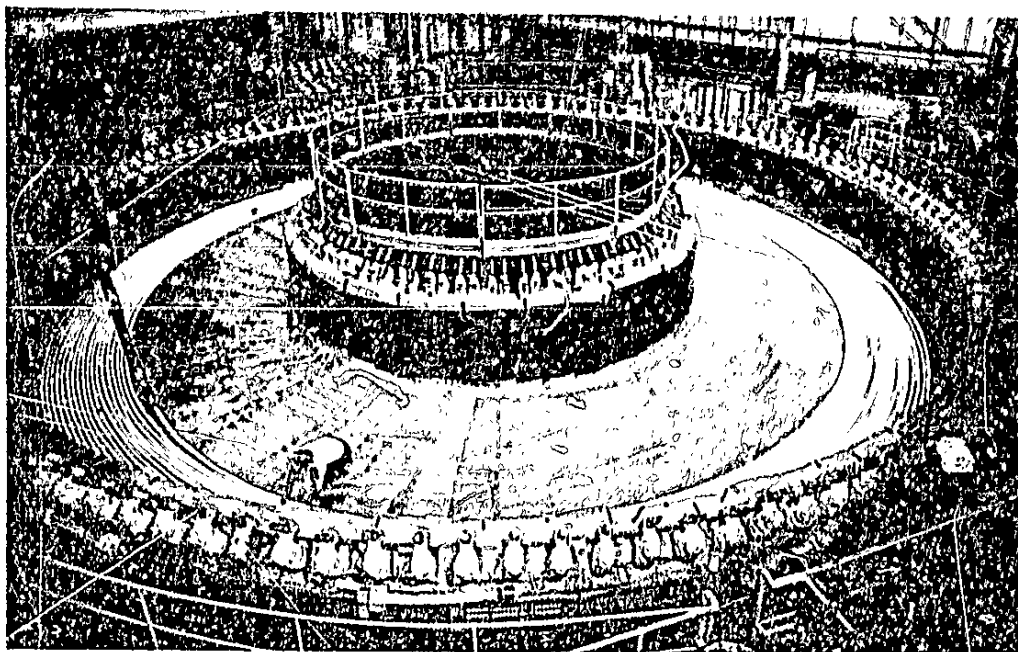
This year will see implementation of accounting in the bank and, with the agreed reciprocity in Ireland, the Midland Bank's National Westminster enhancements to be expected.

## Forward Trust

Record new business in instalment credit was achieved by our lease subsidiary, Forward Trust Limited, in the face of competition in the market place.

Although this contributed to placing severe pressure on the underlying trading, improved and Forward was once again a significant contributor to Group tax profits of £36m.

Total assets now Forward Trust Group asset finance special demonstrate their development and range of new products and personal and corporate



This year will see the implementation of computer based accounting in the branch network and, with the agreement on AutoBank reciprocity in Ireland complementing the Midland Bank's links with National Westminster, considerable enhancements to customer service are expected.

#### Forward Trust

Record new business volumes for instalment credit and leasing were achieved by our leading finance house subsidiary, Forward Trust Group Limited, in the face of intense competition in the financial services market place.

Although this competition served to place severe pressure on margins, the underlying trading performance improved and Forward Trust Group was once again a significant contributor to Group results with pre-tax profits of £36m.

Total assets now exceed £1.8bn as Forward Trust Group, in their role as asset finance specialists, continue to demonstrate their expertise in the development and selective marketing of new products and services for personal and corporate customers

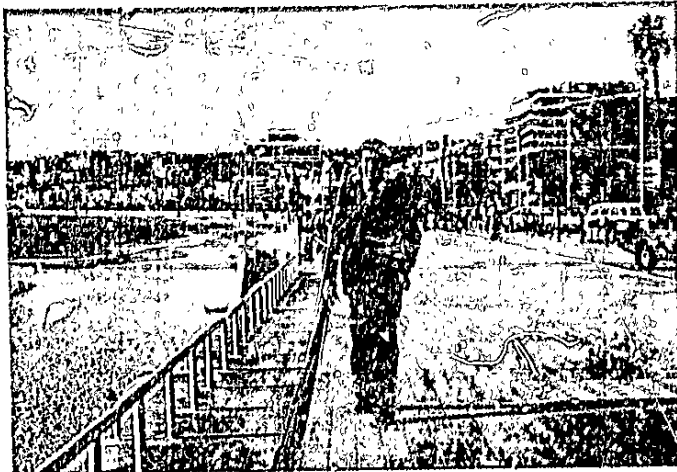
alike.

Griffin Factors Limited recorded further growth in turnover for the provision of 'off balance sheet' current asset finance facilities, and this was reflected in their increased profit outcome.

Although demand for leasing by industry slowed in comparison with the spectacular growth of previous years, Forward Trust Group managed to obtain considerable levels of new business. In particular, the Group's corporate finance division completed several large leasing transactions, which reflect the valuable assistance Forward Trust Group provides to British industry through their ability to aid investment in new capital assets.

The branch network has been rationalised and considerable progress has been made in streamlining operations, with the aim that customers should receive an increasingly efficient service. With the boundaries between competitors becoming less distinct, the challenges facing the finance house industry are demanding, but Forward Trust Group is well positioned to respond.

*Forward Trust Group leased plant and machinery to Pirelli General for the manufacture of 270,000 volt cables for the world's biggest underwater power transfer scheme which will link the electricity systems of England and France.*



Midland Bank SA has 15 offices spread throughout France. The Manager of the Nice branch, M. Dominique Labrousse, is seen here on the Promenade des Anglais.

Mr. D. W. King, Managing Director of Associated Midland Group Ltd. In the background, the Sydney skyline includes the Centrepoint Tower, tallest building in the Southern Hemisphere.

### The Group World-wide Group Treasury

The newly established unified Group Treasury has a clear role in the management of liquidity on a Group-wide basis. This task has become even more important with the growing speed, sophistication and integration of international money and financial markets, and the increasing importance of treasury services and activities within the Group's overall strategy.

We have therefore identified the market for foreign exchange and treasury services world-wide, as a target for increased penetration, particularly in the corporate sector of the UK. In pursuit of its vital Group role, Group Treasury is also promoting the development of business opportunities through the Group's network of branches and subsidiaries in overseas financial centres.

### International Banking

During the past year we have consolidated and integrated further our International activities with the Midland name now well recognised and our operations strategically positioned in the major financial centres of the world.

We now offer a full range of banking and financial services in the



Far East through branches and subsidiaries.

In France, where Midland Bank SA is the largest foreign owned private bank, and in Germany we have restructured our operations to focus

more directly on future market developments. These same principles have characterised developments in other markets.

Reflecting the continuing need to make the most of our resources, we

were able to acquire 140 Canna established at the 140th Street, New York City. It has been the largest operation in the world.

In response to world-wide demand, we have developed a new service, M. Payment, which accepts and instructs companies to pay on our own terms. This is an external banking service in the UK.

The 1980 international Midland Trade Services severely reduced economic activity in the Americas.

MBGITS, uninsured counterparty, together with export financing activities, enhanced what is now a prime operation and Laus, an important Bank Group offering a range of products.

### The Cro

It is not the Crocker contribution to the year. The Crocker with a p

were able to reduce our premises requirements in the City of London. 110 Cannon Street is now firmly established as the management centre of the Division following the sale of 60 Gracechurch Street, which had been the headquarters of our overseas operations since 1962.

In response to the challenge of world-wide electronic banking, we have developed a complete payment service, Midland Advisory and Payment Services, MAPS, which will accept and process payment instructions as well as providing comprehensive information and advisory packages. The service is based on a unique system which links our own internal networks with the external networks utilised by our banking and corporate customers, both in the UK and world-wide.

The 1983 results of the Group's international trade finance arm, Midland Bank Group International Trade Services (MBGITS), were severely affected by adverse world economic conditions generally, as well as by the specific problems of Latin America.

MBGITS embraces insured and uninsured non-recourse trade finance, countertrade and a forfait trade, together with the Group's aerospace, export finance and project finance activities. This product range was enhanced last year by the purchase of what is now Midland Bank (Aval) Ltd., which places us amongst the leaders in a forfait financing, with operations based in London, Vienna and Lausanne. We attach great importance to achieving and retaining a prime position in what is recognised as an area of enormous potential. MBGITS will also provide Midland Bank Group with the capability of offering its customers world-wide a range of specialised trade finance products in support of their sales.

reflecting both the wider problems of the US banking environment, and, in particular, those specific to California and to Crocker.

In common with a large part of the United States banking community, the effects of one of the deepest post-war recessions on major manufacturing and commercial sectors adversely affected Crocker's interest income and provisions. Added to this, in Crocker's case, was the indirect impact of deregulation of the US financial services market, the very prohibitive costs of carrying a large non-performing loan portfolio and a generally low level of corporate loan demand.

Since becoming aware of the full extent of Crocker's problem loans, a number of steps have been taken to ensure that Midland Bank exercises a greater measure of control over its largest overseas investment.

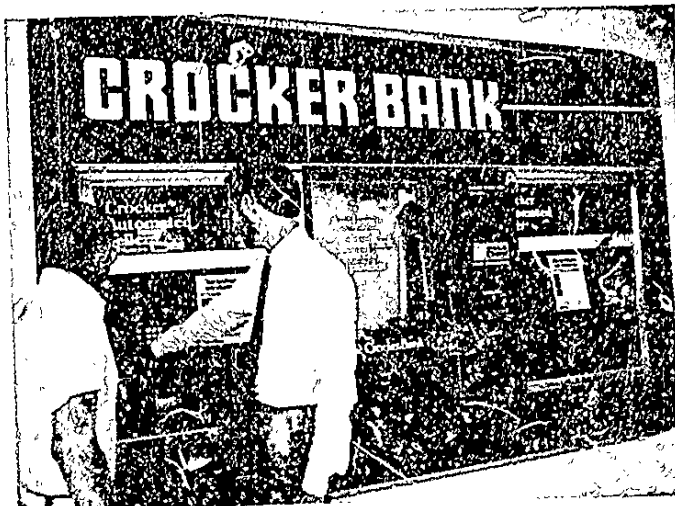
Our acquisition of Crocker was part of a logical process of expanding our overseas representation. Crocker remains the main platform of our North American strategy and many opportunities have been taken on both sides to learn from each other. Joint working parties have been set up in the last year to examine the benefits of synergy in a number of important areas and regular and frequent contact has helped each to reach new levels of understanding.

The steps we have already taken, and are continuing to take, will enhance Crocker's own attempts to restore profitability, improve performance and provide a good return on the Bank's investment.

The automated teller machines in The Crocker Bank 'automated branch' at Market and Noe Streets in San Francisco.

#### The Crocker Bank

It is naturally a considerable disappointment to have to report that Crocker did not make any contribution to Group profits last year. The loss before taxes reported by Crocker for 1983 was \$20m compared with a profit of \$ 2m for 1982,





The then Lord Mayor of London, Sir Anthony Jolliffe CBE DSC, (left) and Mr. J. Stafford Cadd, Chairman and Chief Executive of Samuel Montagu, at the signing ceremony for the Kingdom of Sweden sterling credit.

### Samuel Montagu

The Samuel Montagu merchant banking group, of which we own 60% with the remaining 40% being owned by AETNA Life and Casualty Co. has continued to expand its operations.

During the course of the year, the company established representative offices in New York, San Francisco, and Tokyo and an SEC registered broker/dealer company (Samuel Montagu Inc.) in New York. It disposed of its shareholding in Capel Court Corporation in Australia and, in a joint venture with Dominguez & Barry Partners, a leading Australian Issuing House, formed a new Australian merchant bank, Dominguez Barry Samuel Montagu Limited.

In Kenya, together with the Aga Khan, Samuel Montagu made an investment in Diamond Trust of Kenya, a long established finance house, to develop this into a fully fledged merchant bank. Another important move saw Samuel Montagu acquire the share capital of Galbraith Wrightson Shipping Limited, a leading firm of ship-brokers, from Stewart Wrightson plc.

During October 1983, the Samuel Montagu Group arranged the largest ever sterling credit of £500 million for the Kingdom of Sweden, and in

its second full year as a manager of issues in the international capital markets, Samuel Montagu has achieved a position in the top twenty of banks worldwide.

### Thomas Cook

Although the travellers cheque market became increasingly competitive during 1983 and airline problems continued to affect adversely the travel industry, the Thomas Cook Group was well placed to take advantage of the opportunities that existed due to the action taken to restructure the business over the last two years. The trading profit of £12m represented a significant contribution to Group profits.

Thomas Cook continued to develop its travellers cheque operations both through its partnership with a number of the major European Banks in Euro Travellers Cheque International (ETCI) and through its more recent membership of Mastercard. Thomas Cook significantly increased its share of the European travellers cheque market during 1983 and the newly launched Thomas Cook/Mastercard dollar travellers cheque range should further increase the acceptability of the Thomas Cook product - particularly in the important North American market.



Thomas Cook travellers cheques are available in a range of currencies and are widely accepted.

The international and foreign exchange extended; Thomas Cook associates, now travel services outlets in 137

Increasing a of latest methods both to improve travellers cheques to provide the available information viewdata facilities

Competition and amongst the inevitably improved in 1984, while competition with the travellers cheques. Nevertheless, an encouraging financial year consolidated 1983





The new Thomas Cook/Macmillan Dollar travellers cheque was first issued early in 1984. It is particularly important for the South American market.

The international network of travel and foreign exchange branches was extended; Thomas Cook, or its associates, now being able to provide travel services through 1,350 retail outlets in 137 different countries.

Increasing advantage is being taken of latest methods and technologies both to improve the transmission of travellers cheque data world-wide and to provide the traveller with the latest available information through viewdata facilities.

Competition in the airline industry and amongst UK tour operators will inevitably impact on travel revenues in 1984, whilst it is anticipated that competition will remain intense in the travellers cheque market. Nevertheless, Thomas Cook has made an encouraging start in the current financial year and continues to consolidate its position.

#### Staff

During the year, we have introduced a revised management training programme which will bring career development and training into sharper focus, and from an earlier career point than has been the custom in the past. Some 3,500 of our existing executives have been selected for this programme during the past year, in addition to those recruited into the Bank as part of the programme.

We also continue to seek improved methods of developing and training more senior staff to prepare them for succession to the most senior executive appointments in future years.

During the year, the Government introduced its Youth Training Scheme. We are pleased to be associated with the scheme under

which we are giving work experience to young people in a number of our branches. In offering places on the scheme, we are applying the same policy of equal opportunities that is in practice throughout the Group.

The pace of change continues with the introduction of technology into the workplace. I should like to place on record my thanks to all our staff for their continued loyalty, enthusiasm and readiness to accept change.

*Geoffrey W. Taylor*

Geoffrey W. Taylor  
8 March 1984



## **Board of Directors**

<b>Chairman</b>	Sir Donald Barron, DL
<b>Deputy Chairmen</b>	Sir Reay Geddes, KBE Sir Alex Jarratt, CB
<b>Directors</b>	*John A. Brooks Sir Jack Callard Sir Kenneth Corfield Sir John Cuckney Sir Robert Fairbairn, JP *Brian L. Goldthorpe Stuart T. Graham, CBE, DFC *John D. Greenwell *John G. Harris †Sir Derrick Holden-Brown Sir Trevor Holdsworth *Michael F. Julien Leonard C. Mather, CBE Sir Patrick Meaney Dame Rosemary Murray, DBE, DL, JP John B. M. Place The Rt Hon Lord Pritchard, DL *Geoffrey W. Taylor Sir Malcolm Wilcox, CBE Thomas R. Wilcox
<b>Secretary</b>	D. P. G. Wyatt

\*Executive Directors

†Appointed with effect from 1 March 1984

## General Management

Group Chief Executive

G. W. Taylor

Deputy Group Chief Executive

J. A. Brooks

Executive Director and  
Senior Vice Chairman  
Crocker National Corporation  
and Crocker National Bank

J. G. Harris

Group Finance Director

M. P. Julien

Chief Executives

E. W. Brutsche	- Group Treasury
H. de Carmoy	- International
B. L. Goldthorpe	- Group Risk Management
J. D. Greenwell	- UK Banking

General Managers

UK Banking  
J. E. Bennett  
Dr. R. Bruce  
M. J. Fuller  
G. A. Gilhespy  
P. S. Hargreaves  
P. J. Nicholson  
G. D. Smith

International  
D. G. Barber  
D. L. Hanson  
H. H. Jacobi  
R. L. Wyatt

Group/Support Services

B. M. Cocup	- Group Personnel
G. A. Freestone	- Group Risk Management
W. D. Jarman	- Computer Operations
I. Paterson	- Forward Trust Group Ltd.
M. T. J. Wallis	- Group Risk Management

## Report of the Directors

### Profits and appropriations

The profit of the Group attributable to members of Midland Bank plc, as shown in the consolidated profit and loss account on page 23 amounted to

£ millions

This has been dealt with as follows

First interim dividend of 11.0p per share paid 7 November 1983

25

Second interim dividend of 14.5p per share payable 5 April 1984

33

58

Retained profit transferred to reserves

56

114

The Directors have declared a second interim dividend in respect of the year ended 31 December 1983 instead of recommending a final dividend at the annual general meeting. The interim dividends total 25.5p per share, the same as for 1982.

### Group Activities

The Bank and its subsidiaries, operating through branches in the British Isles and in other parts of the world, provide a comprehensive range of banking, financial and related services.

The Chairman's statement and the Group Chief Executive's review of Group operations on pages 3 to 15 contain a review of the business of the Group during 1983, of recent events and of likely future developments.

Resolution No. 8 to be proposed at the forthcoming annual general meeting seeks to authorise Directors for up to one year to allot shares for cash up to £13,250,000 in nominal amount of capital (being 5% of the current authorised share capital of the Bank) without first having to offer any of them to shareholders in proportion to their existing holdings.

The Directors are not aware of any person having an interest in 5% or more of the Bank's issued share capital

### Share Capital

The conversion rights attached to the 7½% Subordinated Unsecured Loan Stock 1983/93 were exercisable as at 31 May 1983 for the last time. Holders of £53,614,211 of the stock exercised their rights to convert their stock and in exchange received 11,258,984 shares of £1 each, fully paid, ranking *pari passu* in all respects with the shares already in issue.

During 1983, 546,747 shares of £1 each were appropriated to the staff under the profit sharing scheme at £3.943 per share and 244,912 shares were issued in respect of the exercise of options under the share option schemes at prices ranging from £2.6752 per share to £4.0080 per share.

A rights issue of 45,730,146 new shares of £1 each was made to shareholders at 350p per share in the proportion of one new share for every four shares held on 15 August 1983, following the approval of shareholders at an extraordinary general meeting on that date.

### Loan Capital

An issue of US \$150 million 12½% Guaranteed Notes due November 2003 was made in November 1983 at 99½% by Midland American Capital Corporation, the Bank's US finance company subsidiary, and is guaranteed by the Bank on a subordinated basis. The net proceeds of this issue are being employed in the development of the business of the Midland Bank Group. This issue followed the registration of US \$400 million of debt securities in October 1983 with the United States Securities and Exchange Commission.

An issue of US \$200 million Guaranteed Floating Rate Notes 1999 was made in March 1984 at 100% by Midland International Financial Services BV, a wholly owned Dutch subsidiary of the Bank, and is guaranteed by the Bank on a subordinated basis as to payment of principal and interest. The net proceeds of the issue will be employed for the conduct of the international business of the Group.

### Directorate

It is with regret that Sir John Hume, Director of the Bank, has retired. The Rt Hon. Sir John Hume, retiring in September 1983, was Chairman, and Sir John Hume will remain as a non-executive director. Sir John Hume has been appointed as a non-executive director of the Bank. Mr Michael G. Crocker, Chairman and Chief Executive, will remain as Chairman and Chief Executive. Mr Brian L. G. Crocker, Chairman and Chief Executive, will remain as Chairman and Chief Executive. Mr Brian L. G. Crocker, Chairman and Chief Executive, will remain as Chairman and Chief Executive.

Sir Kenneth Holden-Brown, retiring at the age of 65, has been appointed as a non-executive director of the Bank. Sir Kenneth Holden-Brown, retiring at the age of 65, has been appointed as a non-executive director of the Bank.

Mr John G. Crocker, Chairman and Chief Executive, will remain as Chairman and Chief Executive. Mr John G. Crocker, Chairman and Chief Executive, will remain as Chairman and Chief Executive.

The names of the non-executive directors are shown on page 16.

The Directors are not aware of any person having an interest in 5% or more of the Bank's issued share capital.

### Employee

The Bank has a comprehensive communication system through daily publication of a newspaper, a publication of the pension scheme and this medium for information and communication.

A formalised communication system has been evolving since the annual Bank conference, which is used as a conference for all available to all employees of the Bank.

## Directorate

It is with regret that the Directors record the death of Sir John Hurmer in December 1983. Sir John had been a Director of the Bank since 1968.

The Rt Hon Lord Watkinson and Mr Dennis W. C. Kitching retired from the Board in July 1983 and September 1983 respectively. Sir Reay Geddes, a Deputy Chairman, Dame Rosemary Murray and Mr Thomas R. Wilcox will retire from the board at the forthcoming annual general meeting but will not be offering themselves for reappointment. Sir Patrick Meaney has been appointed a Deputy Chairman as from the annual general meeting.

Mr Michael R. Julien joined the Board in May 1983 and was appointed Group Finance Director in July 1983. Mr Brian L. Goldthorpe was appointed a Director and Chief Executive (Group Risk Management) in October 1983. Sir Derrick Holden-Brown was appointed a Director in March 1984.

Sir Kenneth Corfield, Mr Goldthorpe, Sir Derrick Holden-Brown, Mr Julien and Sir Patrick Meaney will retire at the annual general meeting and they offer themselves for reappointment. Mr Goldthorpe and Mr Julien have service contracts with the Bank which can be terminated by the Bank on not less than two years' notice and by the director concerned on six months' notice.

Mr John G. Harris was appointed Senior Vice Chairman and Director of Crocker National Corporation and Crocker National Bank in February 1984. Previously he was Chief Executive (International) of Midland Bank.

The names of the present Directors of the Bank are shown on page 16.

The Directors' interests (as defined in the Companies Act 1967) in the shares and loan stocks of the Bank and its subsidiaries are set out in the table on page 21.

## Employee Communication and Involvement

The Bank has a long established system of written communication from management to all employees through daily circulars. This system is supported by other communications which include a monthly group newspaper, a special edition of which is issued on the publication of the annual results, and an annual report on the pension scheme.

During 1983, video facilities have been made available and this medium is being used for training, product information and general communication purposes.

A formalised system of regular two-way communication meetings between managers and staff has been evolving over the last four years. This includes an annual Bank conference, attended by all levels of staff, which is used for the exchange of views on current issues. A conference bulletin reporting the proceedings is available to all staff. There has been growing informal involvement of staff at local level as managers seek their

views on the attainment of business objectives. It is our policy to encourage this practice for the overall benefit of the organisation.

During the current year renewed emphasis has been given to the staff suggestions scheme as a channel through which staff can be involved in influencing operational changes.

Consultative arrangements exist between the Bank and its two trade unions. Discussions are held on the implications for employees which may arise from the adoption or development of new or revised business practices, the introduction of new technology and changed trading and economic circumstances.

The Bank has an established profit sharing scheme, under which employees have the option of selecting shares or cash. There is also a savings related share option scheme.

Towards the end of 1983 the Bank commissioned a review of the internal communication arrangements. The findings will be used to examine policy and, where necessary, changes will be implemented to improve communication and involvement practices.

## Employee Share Schemes

The three employee share schemes provide at present that the subscription or exercise prices of the Bank's shares are based on a market price at a time when they could be quoted 'cum' dividend, whereas the shares are appropriated or allotted to participating employees on an 'ex' dividend basis. Resolution No. 9 seeks to correct this anomaly through amendments to the schemes that would result in the amount of the 'net' dividend being deducted from the market price of any shares so quoted 'cum' dividend. The amendments are likely to result in a small increase in the number of shares appropriated or allotted to scheme participants, though the overall limit of 10% of the issued share capital being available to the schemes over a ten year period will be maintained. These proposed amendments have received approval in principle from the Inland Revenue.

## Employees

The weekly average number of employees in the Group, excluding those who worked wholly or mainly outside the United Kingdom, and their aggregate remuneration for the year were as follows

	Employees	£ millions
Midland Bank plc	49,299	400
Other Group Companies	18,638	145
	<u>67,937</u>	<u>545</u>

## Report of the Directors - continued

### Employment of Disabled Persons

It is the policy of the Bank to promote equality of employment opportunities by giving full and fair consideration to applications from disabled people for vacancies where particular job requirements are considered to be within their ability. When existing employees become disabled, every effort is made to retain them within the workforce wherever reasonable and practicable. The Bank also endeavours to provide equal opportunities in the training, promotion and general career development of disabled employees.

### Donations

The aggregate amount of money given in the United Kingdom by the Group during the year for charitable purposes was £738,848. In addition, donations amounting to £6,719 were made to the Economic League.

### Close Company Provisions

Midland Bank plc is not a close company as defined in the Income and Corporation Taxes Act 1970.

### Auditors

Ernst & Whinney have informed the Bank of their willingness to continue in office as auditors. A resolution proposing their reappointment and giving authority to the Directors to fix their remuneration will be submitted to the annual general meeting.

By order of the Board  
D. P. G. Wyatt, Secretary

Poultry, London EC2P 2BX  
8 March 1984

*D.P.G. Wyatt*

Midland Bank

## Directors

Directors' Interests in National Com

Beneficial interest

Sir Donald B.  
John A. Broo  
Sir Jack Calla  
Sir Kenneth C  
Sir John Cuck  
Sir Robert Fa  
Sir Remy Ged  
Brian L. Gol  
Stuart T. Gra  
John D. Lye  
John G. Har  
Sir Trevor H  
Sir Alex Jarr  
Michael P. Ju  
Leonard C. M  
Sir Patrick M  
Dame Rosem  
John B. M. P  
Lord Pritchard  
Geoffrey W.  
Sir Malcolm  
Thomas R. V

Shares for w

John A. Broo  
Brian L. Gol  
Stuart T. Gra  
John D. Gre  
John G. Har  
John B. M. P  
Geoffrey W.  
Sir Malcolm  
Thomas R. V

During the year  
beneficial interest  
subsidiaries,  
shares of sub  
had any inter  
or its subsidi

Since 31 Dec  
Mr. John G.  
shares and M  
on a further  
has exercised  
remaining c  
No other cl  
between 31

## Directors' interests

Directors' interests in the shares of Midland Bank plc and in the shares of common stock of Crocker National Corporation

Beneficial interests	Shares at 31 December 1983	Midland Shares at 1 January 1983 or date of appointment to Midland Bank board if later	Shares at 31 December 1983	Crocker Shares at 1 January 1983 or date of appointment to Midland Bank board if later
Sir Donald Barrer	3,124	430		
John A. Brooks	2,827	1,527	100	100
Sir Jack Callard	701	561		
Sir Kenneth Corfield	1,250	1,000		
Sir John Cuckney	312	250		
Sir Robert Fahlbain	2,670	2,137		
Sir Reay Geddes	2,250	1,800		
Brian L. Goldthorpe	1,797	1,797		
Stuart T. Graham	2,656	1,970	100	100
John D. Greenwell	2,071	1,302		
John G. Harris	1,371	900		
Sir Trevor Holdsworth	312	250		
Sir Alex Jarratt	312	250		
Michael R. Julien	625	500		
Leonard C. Mather	2,563	2,051		
Sir Patrick Meaney	312	250		
Dame Rosemary Murray	1,250	1,000		
John B. M. Place	312	250	5,019	5,019
Lord Pritchard	2,812	2,250		
Geoffrey W. Taylor	1,958	1,063	100	100
Sir Malcolm Wilcox	2,002	1,602	100	100
Thomas R. Wilcox	312	250	6,363	6,363

Shares for which Directors have options to subscribe under share option schemes

John A. Brooks	7,384	8,626		
Brian L. Goldthorpe	2,102	2,102		
Stuart T. Graham	11,668	11,100		
John D. Greenwell	4,414	6,500		
John G. Harris	9,248	6,600		
John B. M. Place			55,885	48,885
Geoffrey W. Taylor	7,777	8,400		
Sir Malcolm Wilcox	9,067	8,626		
Thomas R. Wilcox			100,000	100,000

During the year under review no Director had any non-beneficial interest in the shares of Midland Bank plc or its subsidiaries, no Director had any beneficial interest in the shares of subsidiaries other than Crocker and no Director had any interest in the loan stocks of Midland Bank plc or its subsidiaries.

Since 31 December 1983 Mr. Brian L. Goldthorpe and Mr. John G. Harris have each purchased 50 Crocker shares and Mr. John B. M. Place has acquired options on a further 7,000 Crocker shares. Mr. Thomas R. Wilcox has exercised his options on 11,607 Crocker shares and his remaining options over Crocker shares have now expired. No other changes in any of the above interests occurred between 31 December 1983 and 7 March 1984.

## Analysis of shareholders

At 31 December 1983

Class of shareholder	Number of Shareholders	Percentage of total	Number of Shares held	Percentage of total
Women	42,032	46.28	27,229,013	11.90
Men	28,853	31.77	18,034,590	7.88
Joint accounts	16,377	18.04	28,899,513	12.64
Assurance and insurance companies	534	0.58	33,106,388	14.47
Commercial and industrial companies	507	0.56	2,777,606	1.21
Charities, local authorities, hospitals, colleges, etc.	552	0.61	9,367,923	4.10
Nominee companies	1,490	1.64	74,999,921	32.78
Pension funds and pension trustees	187	0.21	24,584,428	10.75
Investment trusts and funds	286	0.31	9,765,105	4.27
	90,818	100.00	228,764,487	100.00

Shares held	Number of Shareholders	Percentage of total	Number of Shares held	Percentage of total
1-100	9,132	10.05	527,198	0.23
101-250	17,194	18.93	3,035,991	1.33
251-500	23,251	25.60	8,662,306	3.79
501-1,000	23,275	25.63	16,729,224	7.31
1,001-5,000	16,263	17.91	29,145,470	12.74
5,001-10,000	700	0.77	4,876,426	2.13
10,001-25,000	380	0.42	6,142,765	2.68
25,001-50,000	181	0.20	6,754,002	2.95
50,001-250,000	292	0.32	34,260,747	14.98
250,001 and over	150	0.17	118,630,358	51.86
	90,818	100.00	228,764,487	100.00

## Consolidated

Year ended 31 December

Interest receivable

Interest payable

Net interest income

Other operating income

Operating income

Operating expenses

Trading profit before

Charge for bad and

Trading profit

Share of profits of

Interest on subordi

Profit before taxatio

Taxation

(1982 after crediting

Profit after taxation

Minority interests

Profit before extrao

Extraordinary items

Profit attributable to

Dividends

First interim

Second interim

Retained profit

Earnings per share

(1982 before exceptio

## Consolidated profit and loss account

Year ended 31 December 1983

Amounts in £ millions

	Notes	1983	1982
Interest receivable	3	5,188	5,741
Interest payable	4	3,668	4,280
Net interest income		1,520	1,461
Other operating income	5	906	759
Operating income		2,426	2,120
Operating expenses	6	1,814	1,679
Trading profit before charge for bad and doubtful debts		612	511
Charge for bad and doubtful debts		318	196
Trading profit		294	315
Share of profits of associated companies	10	25	28
		319	343
Interest on subordinated loan capital		94	92
Profit before taxation		225	251
Taxation (1982 after crediting exceptional taxation item - £24m)	12	100	81
Profit after taxation		125	170
Minority interests		(7)	(24)
Profit before extraordinary items		118	146
Extraordinary items	13	(4)	(1)
Profit attributable to members of Midland Bank plc		114	145
Dividends	pence per share	1983	1982
First interim		11.0	8.0
Second interim		14.5	17.5
		25.5	25.5
Retained profit		58	44
		56	101
Earnings per share (1982 before exceptional taxation item - 68.9p)	14	60.6p	82.4p

Percentage  
of total

11.90

7.88

12.64

14.47

1.21

4.10

32.78

10.75

4.27

100.00

Percentage  
of total

0.23

1.33

3.79

7.31

12.74

2.13

2.68

2.95

14.98

51.86

100.00



**Consolidated balance sheet**

31 December 1983

	Notes	1983	1982
<b>Liabilities</b>			
Current deposit and other customer accounts	15	48,207	44,231
Notes in circulation		215	206
Other liabilities	16	498	394
		<u>48,920</u>	<u>44,831</u>
Deferred taxation	17	122	146
Long-term borrowings	18	216	139
Subordinated loan capital	19	971	861
Minority interests		485	460
Shareholders' funds			
Share capital	20	229	171
Share premium	20	274	122
Reserves	21	1,396	1,269
		<u>1,899</u>	<u>1,562</u>
		<u>52,613</u>	<u>47,999</u>

**Assets****Liquid assets****Items in con****Certificates****Dealing ass****Investments****Debtors****Advances an****Trade invest****Investment****Premises an**

Donald Bar  
G. W. Tay  
M. F. Julie  
D. P. Cl. W.

8 March 1984

		Amounts in £ millions	
	Notes	1983	1982
<b>Assets</b>			
Liquid assets	22	7,631	6,664
Items in course of collection		1,335	1,246
Certificates of deposit		199	336
Dealing assets	23	1,051	802
Investments	24	1,639	1,583
Debtors		316	202
Advances and other accounts	25	39,106	35,962
		<u>51,277</u>	<u>46,795</u>
Trade investments	26	25	34
Investments in associated companies	27	129	118
Premises and equipment	29	1,182	1,052
		<u>52,613</u>	<u>47,999</u>

Donald Barron, Chairman  
 G. W. Taylor, Director and Group Chief Executive  
 M. F. Julien, Group Finance Director  
 D. P. G. Wyatt, Secretary  
 8 March 1984

*Donald Barron*  
*G. W. Taylor*  
*M. F. Julien*  
*D. P. G. Wyatt*

**Balance sheet**

31 December 1983.

	Notes	1983	1982
<b>Liabilities</b>			
Current, deposit and other accounts	15	23,584	21,535
Other liabilities	16	135	106
Balances due to subsidiaries		1,017	868
		<u>24,766</u>	<u>22,509</u>
Subordinated loan capital	19	136	190
<b>Shareholders' funds</b>			
Share capital	20	229	171
Share premium	20	274	122
Reserves	21	1,396	1,269
		<u>1,899</u>	<u>1,562</u>
		<u>26,801</u>	<u>24,261</u>

**Assets**

Liquid assets

Items in course of sale

Certificates of deposit

Dealing assets

Investment assets

Debtors

Advances to subsidiaries

Balances due from subsidiaries

Trade investments

Investment assets

Investment assets

Premises and equipment

Donald B. ...  
 G. W. Tay ...  
 M. F. Jul ...  
 D. P. G. W ...

8 March 1984

		Amounts in £ millions	
	Notes	1983	1982
<b>Assets</b>			
Liquid assets	22	3,335	3,149
Items in course of collection		383	425
Certificates of deposit		123	275
Dealing assets	23	106	49
Investments	24	646	791
Debtors		45	50
Advances and other accounts	25	18,642	16,426
Balances due by subsidiaries		1,370	1,226
		<u>24,652</u>	<u>22,391</u>
Trade investments	26	13	23
Investments in associated companies	27	100	90
Investments in subsidiary companies	28	1,525	1,281
Premises and equipment	29	511	476
		<u>26,801</u>	<u>24,261</u>

Donald Barron, Chairman  
 G. W. Taylor, Director and Group Chief Executive  
 M. F. Julien, Group Finance Director  
 D. P. G. Wyatt, Secretary

8 March 1984

*Donald Barron*  
*G. W. Taylor*  
*M. F. Julien*  
*D. P. G. Wyatt*

# Statement of source and application of funds

Year ended 31 December 1983

Amounts in £ millions

	1983	1982
<b>Source of funds</b>		
Profit attributable to members of Midland Bank plc	114	145
Adjustment for items not involving the use of funds		
Depreciation of premises and equipment	82	71
Deferred taxation	(24)	(19)
Minority interests	(15)	9
Amount retained by associated companies	(6)	12
Other items	6	(2)
<b>Funds generated from operations</b>	<b>157</b>	<b>216</b>
<b>Funds from other sources</b>		
Disposal of trade investments and associated companies	24	14
Disposal of part interest in subsidiary	—	50
Disposal of premises and equipment	45	7
Share capital issued	210	26
Subordinated loan capital	110	223
Long-term borrowings	77	17
Minority interests (including currency translation adjustments)	40	58
	<b>663</b>	<b>611</b>
<b>Application of funds</b>		
Dividends paid	55	40
Purchase of trade investments and associated companies	20	22
Purchase of interest in subsidiaries	88	79
Purchase of premises and equipment (including currency translation adjustments)	182	190
	<b>345</b>	<b>331</b>
<b>Working capital</b>	<b>318</b>	<b>280</b>
	<b>663</b>	<b>611</b>
<b>Working capital</b>		
Advances and other customer accounts	3,144	6,421
Liquid assets	889	(251)
Debtors and other assets	371	524
Current and deposit accounts and other liabilities excluding dividends	(4,086)	(6,414)
	<b>318</b>	<b>280</b>

1. Account

The year  
set out  
with the  
income  
below  
appropriately

2. Account  
The accounts  
modified  
properly

3. Basis of  
The Group  
accounts  
the financial  
profits and  
attributable  
companies  
The  
and liabilities  
National  
such as  
profits and  
The  
30 September  
present

4. Basis of  
business  
The business  
Domestic  
management  
whether  
another  
into the  
office in  
records

5. Basis of  
Specific  
based on  
relates  
other  
charges  
increases  
In the  
doubt  
and credit  
although  
made  
interest  
off

6. In the  
the US  
on non  
90 day  
loans  
secured  
placed  
is receiv  
collect  
overdu  
loans  
uncoll

7. Instal  
Income  
a dedu  
accoun  
balance  
uncert

8. Lease  
Income  
accoun  
accoun  
W/L  
other  
the fa  
arrang

## Notes on the Accounts

millions

1982

145

71

(19)

9

12

(2)

216

4

50

7

26

223

17

58

611

40

22

79

190

331

280

611

6,421

(251)

524

(6,414)

280

### 1 Accounting policies

The principal accounting policies adopted by the Group are set out below and are consistent with those adopted in 1982 with the exception of the treatment of Midland Bank plc's investments in associated and subsidiary companies—see note 2 below. Comparative amounts have been restated where appropriate to correspond with the 1983 presentation.

#### a Accounting convention

The accounts are prepared under the historical cost convention modified by the revaluation of freehold and long leasehold properties.

#### b Basis of consolidation

The Group accounts at 31 December 1983 are prepared in accordance with Sections 149A and 152A of and Schedule 8A to the Companies Act 1948 and deal with the state of affairs and profits of Midland Bank plc and all its subsidiaries and the attributable share of profits and reserves of its associated companies.

The Group accounts therefore include the full results, assets and liabilities of those subsidiary companies, such as Crocker National Corporation, in which there exists a minority interest; such minority interests are shown separately on the consolidated profit and loss account and consolidated balance sheet.

The accounts of certain subsidiaries are made up to 30 September or 31 October in order to avoid delay in the presentation of the Group accounts.

#### c Basis of allocation between Domestic and International business for the purposes of these accounts

The businesses domiciled in the UK are allocated between Domestic and International sectors in accordance with internal management responsibilities. This allocation primarily reflects whether the majority of the business is recorded in sterling or another currency. The International business is further divided into four major geographical areas based on the domicile of the office in which the assets, liabilities, income and expenditure are recorded.

#### d Bad debts

Specific and general provisions for bad and doubtful debts are based on the year-end appraisal of advances. The specific element relates to identified risk advances; the general element relates to other bank advances where possible risks are anticipated. The charge in the profit and loss account accordingly represents the increase in provisions less recoveries for the year.

In Group companies other than Crocker, 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 and the outstanding debt is written off.

In the case of Crocker, whose policies are in accordance with the US Comptroller of the Currency's rulings, loans are placed on non-accrual status when principal or interest is overdue for 90 days or more, except for consumer instalment loans, property loans secured by residential properties and loans that are well secured and in the process of collection. From the time a loan is placed on non-accrual status, interest is recorded only when cash is received and any interest income previously accrued but not collected is reversed. Consumer instalment loans 120 days overdue and not covered by credit life insurance and credit card loans 180 days overdue are written off monthly and any uncollected interest is reversed.

#### e Instalment finance

Income from fixed rate instalment finance business, after making a deduction for certain 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.

#### f Leased assets

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.

Where leasing contracts are covered by major recourse or other similar agreements, income is released in such a way that the book amount of the asset is consistent with the contractual arrangements.

#### g Depreciation of premises and equipment

Freehold and long leasehold (100 years and over unexpired) buildings are depreciated on the straight-line basis over their estimated useful lives at rates ranging from 1% to 5%; other leasehold land and buildings are written off on the straight-line basis over 50 years, or the period of the lease whichever is the shorter. Obsolescence of buildings is charged to profit at its arrival.

Furniture, fittings and equipment are depreciated on the straight-line basis over their estimated useful lives at rates ranging from 5% to 50%.

#### h Dealing assets

Where assets are acquired with the intention of realising them in the short term as a profit, they are stated in the balance sheet at market value in the case of bills and bullion other than gold, and at the lower of cost and market value in the case of certificates of deposit, investments and properties.

#### i Fixed Interest investments

Where fixed interest investments with fixed redemption dates have been purchased for the long term 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.

Profits and losses on the realisation of these investments are dealt with in the profit and loss account as they arise.

#### j Retirement benefits

Annual contributions are made to pension schemes on the advice of actuaries for funding of retirement benefits and these are charged to profit and loss account as incurred. In the case of certain overseas subsidiaries, retirement benefits are funded so as to conform with local law and practice.

#### k Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation on all timing differences apart from those considered likely to continue in the future. The Directors consider it prudent to make provision for a proportion of the deferred taxation liability in respect of 'timing' business on account of the uncertainties surrounding future taxation liabilities.

The deferred taxation shown in the balance sheet is calculated by the liability method using the current rate of corporation tax and takes into account recoverable advance corporation tax.

#### l Currency translation

Assets and liabilities of UK resident companies maintained in foreign currencies, including investments in associated companies and trade investments financed by loans in foreign currencies and commitments for future purchases or sales, are translated into sterling at the exchange rates ruling at the balance sheet dates of those companies and any difference is taken to the profit and loss account.

The accounts of overseas subsidiaries and associated companies are translated into sterling at the rates ruling at their balance sheet dates and the consequential adjustments to the opening balances are dealt with through reserves.

#### m Premium on acquisition of shares in associated and subsidiary companies

Premiums and discounts on acquisition of shares in associated and subsidiary companies are written off to reserves in the year of acquisition.

#### n Investments in associated and subsidiary companies

Midland Bank plc's investments in associated and subsidiary companies are stated at its share of their net tangible assets. Previously, such investments were stated in its balance sheet at cost less provisions or amounts written off. The adjustment to Midland Bank plc's reserves at 31 December 1982 resulting from this change in policy has been dealt with as a prior year adjustment.

## Notes on the Accounts-continued

### 2 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 £215m (1982 £201m).

### 3 Interest receivable

Interest on	1983	1982
Short-term funds	729	757
Advances to customers	3,389	3,668
Placements with banks (over 30 days)	653	828
British Government securities		
Listed	103	112
Other investments		
Listed	30	19
Unlisted	45	52
	75	71
Investment finance	138	142
Equipment leased to customers	101	98
	5,188	5,711
Of which		
Domestic	1,792	1,978
International	3,396	3,733
	5,188	5,711

### 4 Interest payable

Interest on deposits	1983	1982
Domestic		
Current and demand accounts	114	123
Deposit and savings accounts	276	357
Money market and other time deposits	538	661
	928	1,141
International		
Current and demand accounts	478	401
Deposit and savings accounts	150	9
Money market and other time deposits	2,094	2,625
	2,722	3,125
	3,650	4,266
Interest on long-term borrowings	18	14
	3,668	4,280

### 5 Other operating income

Service charges
Foreign exchange
Travel income
Income from trading
Profit on sale of
Fixed interest
Other

### 6 Operating expenses

Staff
Salaries and other
Profit sharing
Pension costs
Provision for equ
Depreciation and
Hire of computer
Rents payable
Other

Other

### 7 Retirement benefits

Pensions for employees wholly-owned by the Fund set up under annual charges to companies to the designed to build the employee's own pension after retirement pensionable salary determined by the final salary upon a maximum of two years' service or no pensions but may additional benefit been completed by

## Amounts in £ millions

5 Other operating income	1983	1982
Service charges, fees and other banking income	747	587
Foreign exchange earnings	51	52
Travel income	75	74
Income from trade investments (listed)	3	3
Profit on sale of investments		
Fixed interest	37	45
Other	3	1
	<u>30</u>	<u>46</u>
	<u>906</u>	<u>759</u>

6 Operating expenses	1983	1982
Staff		
Salaries and other staff costs (including Midland Bank Group Profit Sharing Scheme £10m (1982 £10m))	957	891
Pension costs	134	127
	<u>1,091</u>	<u>1,018</u>
Premises and equipment		
Depreciation and amortisation	82	71
Hire of computers and other equipment	37	35
Rents payable	74	64
Other	145	130
	<u>338</u>	<u>300</u>
Other	<u>385</u>	<u>361</u>
	<u>1,814</u>	<u>1,679</u>

## 7 Retirement benefits

Pensions for employees of Midland Bank plc and certain wholly-owned UK subsidiaries are paid from a separate Trust Fund set up under the Midland Bank Pension Scheme. The annual charge to income represents payments by participating companies to the Trust Fund, determined on an actuarial basis, designed to build up reserves for each full-time employee during the employee's working life to pay the employee or dependants a pension after retirement. Such pensions are based on pensionable salary (i.e. excluding overtime, bonuses, etc.) and are determined by the length of service of the employee and his final salary upon retirement. Pensions payable are limited to a maximum of two-thirds of final salary for employees with 40 years' service or more. Staff do not make contributions for basic pensions but may make voluntary contributions to purchase additional benefit where less than 40 years' service will have been completed by normal retirement age.

The pension funds of Clydesdale Bank PLC and Northern Bank Limited and certain other UK subsidiaries are similarly constituted. Overseas subsidiaries make provisions for pensions in accordance with local law or practice.

An actuarial valuation is carried out on the Midland Bank Trust Fund triennially to determine the payments to be made to the Pension Fund. In determining these payments, account is taken of estimated increases in salaries and pensions as well as anticipated increases in the income of the Pension Fund. At 31 December 1981, the date of the last actuarial valuation, the actuaries confirmed that the liabilities of the Midland Bank Pension Scheme based on current salary levels and service to date were fully funded.



## Notes on the Accounts—continued

### 8 Emoluments

The aggregate emoluments of the Directors of Midland Bank plc amounted to £1,422,001 (1982 £1,244,000) and consisted of fees £92,000 (1982 £85,000) and other emoluments £1,330,000 (1982 £1,159,000). In addition, pensions in respect of past services of £89,000 (1982 £118,000) were paid. Of these aggregate emoluments and pensions £704,000 (1982 £591,000) was borne by subsidiaries.

The tables show the number of Directors and employees of Midland Bank plc, other than Directors and employees working wholly or mainly outside the United Kingdom, whose emoluments receivable from the Bank and its subsidiaries fell within the bands stated.

	1983	1982
Chairman's emoluments		
Sir Donald Barron	£79,300	£39,102
Sir David Barran		£17,619

The emoluments of the highest paid Director amounted to £94,534 (1982 £86,923).

Some of the Directors served on the Board for part of the year only.

Directors	£	1983	1982
1-5,000		1	2
5,001-10,000		7	3
10,001-15,000		2	2
15,001-20,000		1	3
20,001-25,000		1	1
25,001-30,000		1	1
30,001-35,000		2	1
35,001-40,000		2	1
40,001-45,000		2	1
45,001-50,000		1	1
50,001-55,000		1	1
55,001-60,000		2	3
60,001-65,000		1	1
65,001-70,000		2	1
70,001-75,000		1	1
75,001-80,000		1	1
80,001-85,000		1	1
85,001-90,000		1	1
90,001-95,000		1	1
Employees			
30,000-35,000		258	235
35,001-40,000		147	135
40,001-45,000		73	42
45,001-50,000		9	5
50,001-55,000		8	9
55,001-60,000		6	6
60,001-65,000		1	2

### 9 Auditors' remuneration

	1983	1982
Midland Bank plc	0.4	0.3
Subsidiaries	2.3	2.2
	2.7	2.5

### 10 Share of profits of associated companies

	1983	1982
Unlisted	25	28

Dividends receivable from associated companies during 1983 amounted to £6m (1982 £13m).

### 11 Interest on subordinated loan capital and long-term borrowings

	1983	1982
Interest on subordinated loan capital	94	92
Interest on long-term borrowings	18	14
	112	106
Of which		
Interest on loans wholly repayable within five years	8	8
Other	104	98
	112	106

### 12 Taxation

The charge for taxation

United Kingdom corporation tax

Current

Deferred

Less relief in respect of

Overseas taxation

Current

Deferred

Associated companies

Less exceptional taxation

In 1982 the Directors deferred taxation in current and expected

Had full provision been made for timing differences, the exceptional taxation increased by

### 13 Extraordinary items

Profit (loss) on sale of

Expenses on issue of shares and subsidiary companies

### 14 Earnings per share

Earnings per share has been calculated after deducting extraordinary items of £1m (weighted average of 1983 rights issue) shares

## Amounts in £ millions

## 12 Taxation

The charge for taxation is made up as follows

United Kingdom corporation tax at 52%

Current

Deferred

Less relief in respect of overseas taxation

Overseas taxation

Current

Deferred

Associated companies

Less exceptional taxation item

In 1982 the Directors re-assessed the provision for UK deferred taxation in respect of leasing in the light of current and expected levels of business

Had full provision been made for deferred taxation on all timing differences, the charge for taxation (before the exceptional taxation item in 1982) would have been increased by

1983

1982

80

74

10

7

90

81

16

18

74

63

43

41

(26)

(18)

9

96

100

105

—

24

100

81

61

40

## 13 Extraordinary items

Profit (loss) on sale of associated and subsidiary companies

Expenses on issue of share and loan capital of associated and subsidiary companies

1983

1982

2

(1)

(6)

—

(4)

(1)

## 14 Earnings per share

Earnings per share have been calculated on profit before extraordinary items of £118m (1982 £146m) related to the weighted average of 195m (1982 177m as restated for the 1983 rights issue) shares in issue during the year.

1982

7

2

2

2

1

2

1

1

1

3

1

1

235

135

42

5

9

6

2

1982

0.3

2.2

2.5

1982

28

1982

92

14

106

8

98

106

## Notes on the Accounts-continued

15 Current, deposit and other customer accounts	Group	Midland Bank plc 1983	Group	Midland Bank plc 1982
<b>Customers' current and deposit accounts</b>				
<b>Domestic</b>				
Current and demand accounts	5,863	4,683	5,511	4,315
Deposit and savings accounts	4,170	3,243	4,083	3,187
Money market and other time deposits	5,303	3,964	4,876	3,711
	<u>15,336</u>	<u>31,889</u>	<u>14,470</u>	<u>31,213</u>
<b>International</b>				
Current and demand accounts	7,593	919	6,885	731
Deposit and savings accounts	2,806	693	1,853	502
Money market and other time deposits	21,377	9,758	19,815	8,599
	<u>31,776</u>	<u>11,370</u>	<u>28,553</u>	<u>9,832</u>
	<u>47,112</u>	<u>33,259</u>	<u>43,023</u>	<u>21,045</u>
Accrued interest	610	321	649	366
Items in transit and other customer accounts	485	4	536	124
	<u>48,207</u>	<u>23,584</u>	<u>44,231</u>	<u>21,535</u>
<b>Of which</b>				
Sterling	16,804	12,352	15,724	11,809
Currency	31,403	11,232	28,507	9,726
	<u>48,207</u>	<u>23,584</u>	<u>44,231</u>	<u>21,535</u>

Included in the Group figures above are secured bank overdrafts of subsidiaries amounting to £28m (1982 £75m).

16 Other Liabilities	Group	Midland Bank plc 1983	Group	Midland Bank plc 1982
Taxation	29	27	8	6
Creditors	436	75	356	70
Dividend	33	33	30	30
	<u>498</u>	<u>135</u>	<u>394</u>	<u>106</u>

## 17 Deferrals

Group  
Short-term  
Accelerated  
Leasing  
Other  
Advance

Midland  
Short-term  
Accelerated  
Other  
Advance

\*including  
in the p  
tax liability  
company  
at their  
useful p  
amount

## 18 Long

Subsidi  
9.9% M  
Borrow  
repaym  
Borrow  
repaym  
8% B

Repay

repay

## Amounts in £ millions

## 17 Deferred taxation

Group	Potential deferred tax	Provided in accounts 1983	Potential deferred tax	Provided in accounts 1982
Group				
Short-term timing differences	41	41	44	44
Accelerated capital allowances	69	4	62	3
Leasing transactions	147	89	116	103
Other items	28	2	18	9
Advance corporation tax recoverable	(14)	(14)	(13)	(13)
	<u>571</u>	<u>122</u>	<u>527</u>	<u>146</u>
Midland Bank plc				
Short-term timing differences	3	3	8	8
Accelerated capital allowances	48	—	44	—
Other items	9	—	2	—
Advance corporation tax recoverable	(14)	(14)	(13)	(13)
	<u>48</u>	<u>(9)*</u>	<u>41</u>	<u>(5)*</u>

\*included in debtors

In the opinion of the Directors, the likelihood of any material tax liability arising on the disposal of associated and subsidiary companies or of the very large number of the Group's properties at their restated amounts in excess of cost is so remote that no useful purpose would be served in attempting to quantify the amount of potential deferred tax.

## 18 Long-term borrowings

	1983	1982
Subsidiaries		
9.95% Mortgage repayable 1984/97†	3	3
Borrowings at fixed rates between 5½% and 9½% repayable 1984/2002† US \$154m (1982 US \$160m)	106	99
Borrowings at fixed and variable rates between 6½% and 16% repayable 1984/92† FrFrS 1,213m (1982 FrFrS 335m)	101	31
3½% Bonds repayable 1991/93 SwFrS 20m	6	6
	<u>216</u>	<u>139</u>
Repayable within 1 year	8	5
2 years	9	7
3 years	8	8
4 years	10	8
5 years	10	8
6 to 10 years	112	43
thereafter	39	60
	<u>216</u>	<u>139</u>

†repayable by instalments

Group	Midland Bank plc 1982
5,514	4,318
4,083	3,187
4,876	3,711
<u>11,473</u>	<u>11,216</u>
6,885	231
1,853	502
19,815	8,592
28,553	9,832
41,026	21,045
669	366
536	124
<u>44,231</u>	<u>21,535</u>
15,724	11,809
28,507	9,726
<u>44,231</u>	<u>21,535</u>

Group	Midland Bank plc 1982
8	6
356	70
30	30
<u>394</u>	<u>106</u>

## Notes on the Accounts—continued

### 19 Subordinated loan capital

	1983	1982
<b>Midland Bank plc</b>		
7½% Subordinated Unsecured Loan Stock 1983/93	5	50
10½% Subordinated Unsecured Loan Stock 1993/98	31	31
14½% Subordinated Unsecured Loan Stock 2002/07	100	100
	136	180
<b>Subsidiaries</b>		
8½% Guaranteed Bonds 1986† US \$29m (1982 US \$35m)	20	22
Guaranteed Floating Rate Notes 1987 US \$50m	35	31
Guaranteed Floating Rate Notes 1989 US \$125m	86	77
Guaranteed Floating Rate Notes 1989 US \$60m	42	37
4.6% Capital Notes 1989† US \$9m	6	5
8½% Guaranteed Bonds 1980/90 DMT 180m	46	47
Guaranteed Floating Rate Notes 1991 US \$150m	103	93
8½% Guaranteed Bonds 1992† US \$68m (1982 US \$75m)	47	46
11½% Guaranteed Bonds 1992 US \$150m	103	93
Guaranteed Floating Rate Notes 1992 US \$150m	103	93
Guaranteed Floating Rate Notes 1993 US \$125m	86	77
Guaranteed Floating Rate Notes 1994 US \$75m	52	47
5½% Convertible Subordinated Debentures 1996 US \$4m	3	3
12½% Guaranteed Notes 2003 US \$150m	103	—
	835	671
	971	861
<b>Repayable within 1 year</b>	3	—
2 years	12	11
3 years	16	11
4 years	40	14
5 years	8	35
6 to 10 years	655	474
thereafter	237	316
	971	861

†repayable by instalments

Holders of £54m 7½% Convertible Subordinated Unsecured Loan Stock 1983/93 exercised their right to convert their holdings into 11m Midland Bank plc shares on 31 May 1983 on the basis of 21 shares for each £100 of loan stock held. The balance of the stock outstanding is redeemable at par on 31 December 1993 with provision for earlier repayment.

The Guaranteed Floating Rate Notes 1992 are convertible at the option of the holders thereof on 30 June and 31 December in 1984 and 1985 into an equivalent principal amount of 9½% Guaranteed Bonds 1992.

The Guaranteed Floating Rate Notes 1994 may be redeemed at the option of the holders thereof on the interest payment date in July 1989. Options to redeem may be surrendered for consideration on the interest payment dates in January and July in any of the years 1984 to 1988 inclusive.

All other loan capital is repayable at par on redemption but in some cases with premium for earlier repayment.

The interest rates on the floating rate notes are related to LIBOR and at 31 December 1983 ranged from 10% to 10.8%.

Since 31 December 1983 the Group has issued US \$200m Guaranteed Floating Rate Notes 1999.

### 20 Share capital

On 15 August 1983 Midland Bank plc was incorporated in the United Kingdom. The movement in share capital is as follows:

At 1 January 1982  
Rights issue  
Shares issued under option schemes  
Conversion of debentures  
Share and loan capital

At 31 December 1983

### 21 Reserves

At 1 January 1982  
As previously reported  
Prior year adjustment  
At revaluation  
Currency translation  
Premium written in subsidiary companies  
Surplus on revaluation  
Increase in net assets of subsidiary companies  
Retained profits

At 31 December 1983

### 22 Liquid assets

Group  
Cash, bank and deposits  
Money at call  
Bills discounted  
British Treasury bills  
Other bills

Midland Bank plc  
Cash, bank and deposits  
Money at call  
Bills discounted  
British Treasury bills  
Other bills

Cash, bank and deposits includes gold at current market value and gold demand deposits.

## Amounts in £ millions

1982

## 20 Share capital and share premium

On 15 August 1982 the authorised share capital of Midland Bank plc was increased from £250m to £265m.

The movements in issued share capital and share premium were as follows:

	1983	Share capital 1982	1983	Share premium 1982
At 1 January	171	165	122	104
Rights issue	16	—	114	—
Shares issued under staff profit sharing and share option schemes	1	1	3	2
Conversion of loan stock	11	5	42	18
Share and loan stock issue expenses	—	—	(7)	(2)
At 31 December	229	171	274	122

## 21 Reserves

	Midland Bank and subsidiaries	Associated Companies	Group	Midland Bank plc
At 1 January 1983				
As previously reported	1,237	32	1,269	642
Prior year adjustment (see note 1n)	—	—	—	627
As restated	1,237	32	1,269	1,269
Currency translation adjustment	9	1	10	(1)
Premium written off on acquisition of associated and subsidiary companies	(13)	—	(13)	—
Surplus on revaluation of freehold and long leasehold properties	74	—	74	48
Increase in net tangible assets of associated and subsidiary companies	—	—	—	83
Retained profit (deficit) for the year	50	6	56	(3)
At 31 December 1983	1,357	39	1,396	1,396

## 22 Liquid assets

	1983	1982
<b>Group</b>		
Coin, bank notes, balances with central banks and gold	1,451	1,473
Money at call and short notice	5,760	4,787
Bills discounted		83
British Treasury bills	88	
Other bills	332	321
	420	404
	7,631	6,664
<b>Midland Bank plc</b>		
Coin, bank notes and balances with the Bank of England	281	261
Money at call and short notice	2,701	2,570
Bills discounted		61
British Treasury bills	74	
Other bills	279	257
	353	318
	3,335	3,149

Coin, bank notes, balances with central banks and gold includes gold bullion, amounting to £473m (1982 £305m) at current market value, held to meet customers' unallocated gold demand deposits.

671

861

11

11

14

35

474

316

861

on redemption but  
repayment.

es are related to  
from 10% to

ued US \$200m

## Notes on the Accounts-continued

23 Dealing assets	1983	1982
<b>Group</b>		
Bullion other than gold	181	163
British Treasury bills	6	3
Other bills	59	28
Certificates of deposit	201	320
Investments		
Listed in Great Britain - valuation £11.4m (1982 £169m)	114	168
Listed elsewhere - valuation £283m (1982 £230m)	283	230
	397	398
Unlisted - valuation £188m (1982 £64m)	188	64
	585	462
Properties	19	17
	1,051	802
<b>Midland Bank plc</b>		
Certificates of deposit	38	18
British Treasury bills	1	-
Investments		
Listed in Great Britain - valuation £26m (1982 £12m)	26	12
Listed elsewhere - valuation £25m (1982 £11m)	25	11
	51	23
Unlisted - valuation £16m (1982 £8m)	16	8
	67	31
	106	49

Listed investments are valued at middle market prices and unlisted investments at Directors' valuation. Bullion is held substantially to meet customers' unallocated bullion deposits.

24 Investments	Book amount	Valuation	Book amount	Valuation
<b>Group</b>		1983		1982
<b>Listed</b>				
Securities of, or guaranteed by, the British Government	759	772	865	904
Others listed in Great Britain	52	54	25	28
Others listed elsewhere	230	227	187	177
	1,041	1,053	1,077	1,109
<b>Unlisted</b>				
United States	413	365	434	392
Other	185	194	72	76
	1,639	1,612	1,583	1,577
<b>Midland Bank plc</b>				
Listed securities of, or guaranteed by, the British Government	646	656	791	824

Where fixed interest investments with a fixed redemption date are held for the long term, they are stated at amortised cost amounting to £1,499m (1982 £1,539m) for the Group and £646m (1982 £791m) for Midland Bank plc which, in total, is lower than their redemption value.

In the case of the Group, the large majority of these investments mature within eight years, the average period to maturity being within five years; in the case of Midland Bank plc, the large majority of these investments mature within four years, the average period to maturity being within three years.

All other investments are stated at cost less provision.

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

## 25 Advances

Lendings to  
Advances  
Involvement

Equipment  
Total lending  
Less provision

Physicists with  
Accrued interest

Of which  
Sterling  
Currency

Advances to  
the Export  
of Industry

Movements  
follows

## Group

At 1 January

Currency

Reallocation

Charge for

Recovery of

previous year

Amounts

At 31 December

Midland

At 1 January

Currency

Charge for

Recovery of

previous year

Amounts

At 31 December

\*this represents

to general

## Amounts in £ millions

## 25 Advances and other accounts

	Group	Midland Bank plc 1983	Group	Midland Bank plc 1982
Lendings to customers				
Advances	30,395	15,339	27,715	13,592
Installment finance	775	—	791	—
	31,195	15,339	28,506	13,592
Equipment leased to customers	1,131	—	915	—
Total lendings	32,626	15,339	29,421	13,592
Less provisions	673	237	484	180
	31,953	15,122	28,937	13,412
Placings with banks (over 30 days)	6,052	2,942	6,012	2,932
Accrued interest and other customer accounts	1,101	578	1,013	612
	39,106	18,642	35,962	16,426
Of which				
Sterling	14,163	9,704	13,235	9,382
Currency	24,943	8,938	22,727	7,044
	39,106	18,642	35,962	16,426

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

Movements on provisions for bad and doubtful debts were as follows

	1983	Specific 1982	1983	General 1982	1983	Total 1982
Group						
At 1 January	376	309	108	69	484	378
Currency translation adjustment	21	15	10	5	31	20
Reallocation*	(56)	—	36	—	—	—
Charge for the year	228	162	90	34	318	196
Recoveries of amounts written off in previous years	5	20	—	—	5	20
Amounts written off	(165)	(130)	—	—	(165)	(130)
At 31 December	429	376	244	108	673	484
Midland Bank plc						
At 1 January	119	113	61	26	180	139
Currency translation adjustment	3	3	4	3	7	6
Charge for the year	63	37	29	32	92	69
Recoveries of amounts written off in previous years	—	2	—	—	3	2
Amounts written off	(45)	(36)	—	—	(45)	(36)
At 31 December	143	119	94	61	237	180

\*this represents a reallocation of provisions from specific to general to achieve a consistent Group policy



## Notes on the Accounts—continued

### 26 Trade investments

	Book amount	Valuation 1983	Book amount	Valuation 1982
At cost less provisions				
Group				
Listed elsewhere than in Great Britain	3	2	2	2
Unlisted	23	36	33	45
	<u>25</u>	<u>38</u>	<u>34</u>	<u>47</u>
Midland Bank plc				
Unlisted	11	26	23	34

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

The principal trade investments at 31 December 1983, all of which were held directly by Midland Bank plc, were as follows

	Country of incorporation	Interest of Midland Bank plc
The Agricultural Mortgage Corporation Limited Issued share capital £8.5m	Great Britain	13%
The Bankers' Clearing House Limited Issued share capital £1.5m	Great Britain	17%
European Banking Company Limited Issued share capital £12.2m	Great Britain	14%
European Banking Company SA Issued share capital Bfrs 3,500m	Belgium	14%
Euro-Pacific Finance Corporation Limited Issued share capital A\$12.5m	Australia	15%

### 27 Investments in associated companies

	Book amount	Valuation 1983	Book amount	Valuation 1982
Share of net tangible assets				
Group				
Listed elsewhere than in Great Britain	—	—	1	1
Unlisted				
Equity	117	135	105	127
Other	12	18	12	18
	<u>129</u>	<u>153</u>	<u>118</u>	<u>146</u>
Midland Bank plc				
Unlisted				
Equity	88	127	79	98
Other	12	17	11	17
	<u>100</u>	<u>121</u>	<u>90</u>	<u>115</u>

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

### 27 Investments

The provisions were as follows

Bankers'

Issued

Loan

Int'nl

In 2d

The Join

Issued

Loan

Internat

Issued

15%

Monetary

Issued

Ordin

Comm

UBAF B

Issued

Subor

Subor

European

Issued

Ship Mo

Issued

\*unaudited

Under the

Governor

to the M

interest in

interest in

balance sh

than 5%

Amounts in £ millions

## 27 Investments in associated companies - continued

The principal associated companies at 31 December 1983 were as follows

	Country of incorporation and operation	Accounts made up to	Interest of Midland Bank plc	
			Direct	Indirect
Bankers' Automated Clearing Services Limited	Great Britain	30.11.1983		
Issued share capital £3m			24%	
Loan capital £5.1m			18%	2%
Investors in Industry Group plc	Great Britain	30.9.1983*		
Issued share capital £115m			16%	2%
The Joint Credit Card Company Limited	Great Britain	31.10.1983		
Issued share capital £400			30%	
Loan capital £14.4m			30%	
International Commodities Clearing House Holdings	Great Britain	31.12.1983		
Issued share capital £6m			22%	
15% Unsecured loan stock £39.9m			22%	
Moracrest Investments Limited	Great Britain	30.9.1983		
Issued share capital Ordinary shares £6m				33%
Cumulative preference shares £3m				33%
UBAF Bank Limited	Great Britain	31.12.1983		
Issued share capital £31m			25%	
Subordinated unsecured loan stock US \$11.7m			25%	
Subordinated loan stock £5m			25%	
European-American Bancorp	USA	31.12.1983		
Issued share capital US \$60m			20%	
Ship Mortgage International Bank NV	Netherlands	30.9.1983*		
Issued share capital Dfl 50m 40% paid up			33%	

\*unaudited interim accounts

Under the terms of the approval given by the Board of Governors of the Federal Reserve Board dated 25 August 1981 to the Midland Bank plc application to acquire a majority interest in Crocker National Corporation, it is necessary for the interest in European-American Bancorp, which is stated in the balance sheets at £33m, to be reduced from 20% to not more than 5% by 15 October 1984.

Book  
amountValuation  
1983

2 2

33 45

34 47

23 34

Interest of  
Midland Bank plc

13%

17%

14%

14%

15%

Book  
amountValuation  
1982

1 1

105 127

12 18

118 146

79 98

11 17

90 115

## Notes on the Accounts-continued

### 28 Investment in subsidiaries

	1983	1982
Midland Bank plc	851	764
Shares in subsidiaries at Bank's share of net tangible assets	674	517
Loans to subsidiaries	£525	1,281

The principal subsidiaries at 31 December 1983, all of whose accounts were made up to 31 December 1983 unless otherwise indicated, were as follows

Associated Midland Corporation Limited (30 September)

Clydesdale Bank PLC\*

Crocker National Corporation\*

Crocker National Bank

Forward Trust Limited

Griffin Factors Limited

Handelsfinanz Midland Bank

Midland Bank Canada (31 October)

Midland Bank Group International Trade Services Limited (30 September)

Midland Bank Industrial Equity Holdings Limited (30 September)

Midland Bank SA\*

Midland Bank (Singapore) Limited

Midland Bank Trust Company Limited

Midland Finance (HK) Limited

Midland Group Insurance Brokers Limited (30 September)

Midland International Financial Services BV

Midland Montagu Leasing Limited

Northern Bank Limited

Samuel Montagu & Co. Limited

The Thomas Cook Group Limited (31 October)

Trinkaus und Burkhardt KG

\*registered in Scotland

\*minority shareholding listed on a fully diluted basis

Under the terms of the approval given by the Board of Governors of the Federal Reserve Board dated 25 August 1981 to the Midland Bank plc application to acquire a majority interest in Crocker National Corporation, Midland Bank plc was to divest the travel agency operations of Thomas Cook Inc., a wholly-owned subsidiary of The Thomas Cook Group Limited, or reduce its interest in Thomas Cook Inc. to 5% or less by 15 October 1983. In October 1983 the Federal Reserve Board denied the Bank's application for a reversal of the Board's requirement but extended the time by which the divestment should take place to 15 October 1984.

Country of incorporation and operation	Interest of Midland Bank plc Direct	Interest of Midland Bank plc Indirect
Australia		100%
Great Britain	100%	
USA		57%†
USA		57%†
Great Britain		100%
Great Britain		100%
Switzerland		59%
Canada		100%
Great Britain		100%
Great Britain	100%	
France		85%
Singapore		100%
Great Britain	100%	
Hong Kong		100%
Great Britain	67%	33%
Netherlands		100%
Great Britain		100%
Northern Ireland	100%	
Great Britain		60%
Great Britain	100%	
West Germany		92%

### 29 Premises

#### Group

Cost or value

At 1 January

Currency

Additions

Surplus

Disposals

At 31 December

Accumulated

Net book value

At 31 December

At 31 December

Midland Bank

Cost or value

At 1 January

Additions

Surplus

Disposals

At 31 December

Accumulated

Net book value

At 31 December

At 31 December

Cost or value

31 December

Land and

Furniture

The following

included

Freehold

Leasehold

The Group

unexpired

at 31 December

Group's

The basis

except for

valued

## Amounts in £ millions

## 29 Premises and equipment

Group	Freehold land and buildings	Leasehold land and buildings 50 years and over unexpired	Furniture, fittings & equipment under 50 years unexpired	Total
Cost or valuation At 1 January 1983	704	41	136	881
Currency translation adjustments	29	—	6	35
Additions	24	2	22	48
Surplus on revaluation	62	1	—	63
Disposals	(39)	(1)	(1)	(41)
At 31 December 1983	780	43	163	986
Accumulated depreciation	16	3	37	56
Net book amount At 31 December 1983	764	40	126	930
At 31 December 1982	686	37	107	830

## Midland Bank plc

Cost or valuation At 1 January 1983	312	29	77	418
Additions	9	2	7	18
Surplus on revaluation	39	—	—	39
Disposals	(33)	—	—	(33)
At 31 December 1983	327	31	84	442
Accumulated depreciation	—	3	26	29
Net book amount At 31 December 1983	327	28	58	413
At 31 December 1982	305	26	54	385

Cost or valuation of premises and equipment at  
31 December 1983 comprises

	Group	Midland Bank plc
Land and buildings at valuation 1983	479	346
at cost	507	95
Furniture, fittings and equipment, at cost	986	441
	1,427	643

The following are the depreciable amounts for buildings  
included in the calculation of depreciation

	Group	Midland Bank plc 1983	Group	Midland Bank plc 1982
Freeholds	474	163	457	156
Leaseholds 50 years and over unexpired	32	21	30	20
under 50 years unexpired	163	84	136	77

The Group's freehold and long leasehold (100 years and over unexpired) properties in the United Kingdom have been valued at 31 December 1983 by professionally qualified staff or by the Group's professional valuers.

The basis of valuation is open market value for existing use except for certain specialised properties which have been valued at depreciated replacement cost.

The resultant surpluses of £74m for the Group (after minority interests) and £48m for Midland Bank plc have been credited to reserves.

The other leasehold land and buildings have also been reviewed and as a result their existing book amounts have been maintained.

1982

764

517

1,281

Interest of  
Midland Bank plc  
Direct Indirect

100%

100%

57%†

57%†

100%

100%

68%

100%

100%

100%

85%

100%

100%

100%

67%

33%

100%

100%

100%

60%

100%

92%

## Notes on the Accounts—continued

### 30 Contingent liabilities

There were the following contingent liabilities in respect of

	1983	1982
Acceptances	1,591	1,801
Group	409	511
Midland Bank plc		
Engagements	4,923	3,824
Group	2,394	1,666
Midland Bank plc		

In addition there were outstanding contracts for the sale and purchase of foreign currencies and bullion.

Midland Bank plc has guaranteed	784	626
Subordinated loan capital of certain subsidiaries	156	—
Lendings to customers by certain subsidiaries		

The Bank and certain of its subsidiaries are defendants (or may be joined as defendants) in a number of legal actions mainly in the United States, some of which involve claims for substantial amounts. The Directors of the Bank believe that the resolution of such litigation will not result in any material liability.

### 31 Capital commitments

Contracts for outstanding capital expenditure not provided for in these accounts amounted to

	1983	1982
Group	43	50
Midland Bank plc	24	35

In addition, the Board has authorised capital expenditure amounting approximately to £57m (1982 £79m) for the Group and £47m (1982 £67m) for Midland Bank plc.

### 32 Profit sharing

There is a profit sharing plan based upon the profits of the Group. All employees of the Bank, including Executive Directors and UK staff seconded to overseas operations, and most of its subsidiary companies in the United Kingdom are eligible to participate in this plan. Employees have the option of taking their entitlement by way of an allocation of the Bank's shares (within certain restrictions) or in cash. During 1983, 547,000 shares for a value of £2.2m were issued in respect of the allocations arising from profits in 1982; it is not yet possible to quantify the number of shares which will be issued in 1984 in respect of 1983 profit sharing.

When the employee elects to take up shares, the shares allocated are held by Trustees for a minimum period of two years after which the shares may be transferred to the beneficiary, although if he wishes to obtain full tax advantage these shares should be held for seven years.

### 33 Share options

Options outstanding the Midland Bank share option scheme

\*1982 adjusted for

### 34 Directors' loans

In accordance with Companies Act 1985 31 December 1983 be directors during directors, and the r

Loans

Quasi-loans

Credit transactions

\*aggregate amount

## Amounts in £ millions

## 33 Share options

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

Options	Period	Price 1983
4,291,474	1984/90	£2.6752/3.812
		1982
4,257,853*	1984/89	£2.6752*/3.812*

\*1982 adjusted for 1983 rights issue

## 34 Directors' loans

In accordance with the requirements of Section 56 of the Companies Act 1980, the aggregate amounts outstanding at 31 December 1983 from directors (including those who ceased to be directors during the year) and persons connected with directors, and the number of persons concerned, were as follows

	Aggregate amount outstanding		Number of persons	
	1983	1982	1983	1982
Loans	0.4	0.3	12	13
Quasi-loans	*	*	17	15
Credit transactions	—	—	—	—

\*aggregate amount outstanding was £6.872 (1982 £4.265)

# Current cost profit and loss account

Year ended 31 December 1983

Amounts in £ millions

	Notes	1983	1982
Trading profit as in historical cost accounts		294	315
Less current cost adjustments			
Monetary working capital	1	112	92
Depreciation	2	13	12
		125	104
Current cost trading profit		169	211
Interest on subordinated loan capital		94	92
Gearing adjustment	3	41	36
		53	56
		116	155
Share of current cost profits of associated companies	4	22	22
Current cost profit before taxation		138	177
Taxation (1982 after crediting exceptional taxation item)		100	91
		38	96
Minority interests		8	(11)
Current cost profit before extraordinary items		44	85
Extraordinary items		(4)	(5)
Current cost profit attributable to members of Midland Bank plc		40	80
Dividends		58	44
Current cost (deficit) retained profit		(18)	36
Current cost earnings per share		23p	48p
Dividends per share		25.5p	25.5p
Dividend cover		—	2.0

## Current

31 December 19

Assets employe

Advances and

Trade investm

Associated con

Premises and

Financed by

Deposits and o

Borrowings

Deferred taxati

Long-term borr

Subordinated lo

Minority inter

Shareholders' f

Share capital

Share premium

Reserves

Current reser

Other reserv

## Current cost balance sheet

31 December 1983

Amounts in £ millions

	Notes	1983	1982
<b>Assets employed</b>			
Advances and other assets		51,277	46,795
Trade investments	6	38	47
Associated companies	4	153	142
Premises and equipment	5	1,263	1,186
		<u>52,731</u>	<u>48,170</u>
<b>Financed by</b>			
Deposits and other liabilities		48,920	44,831
<b>Borrowings</b>			
Deferred taxation		122	146
Long-term borrowings		216	139
Subordinated loan capital		971	961
		<u>1,309</u>	<u>1,146</u>
Minority interests		506	481
<b>Shareholders' funds</b>			
Share capital		229	171
Share premium		274	122
<b>Reserves</b>			
Current cost reserve		629	604
Other reserves		864	815
		<u>1,996</u>	<u>1,712</u>
		<u>52,731</u>	<u>48,170</u>

n £ millions

1982

315

92

12

104

211

92

36

56

155

22

177

81

96

(11)

85

(5)

80

44

36

48p

25.5p

2.0



	1983	1982
Premises and equipment	1,263	1,186
Associated companies	153	142
Trade investments	38	47
Net monetary working capital	2,390	1,994
	<u>3,844</u>	<u>3,369</u>

London  
8 March 198

## Report of the Auditors

To the members of Midland Bank plc

We have examined the accounts of Midland Bank plc, set out on pages 23 to 45, which have been prepared under the historical cost convention modified as explained in note 1a, and the supplementary current cost accounts set out on pages 46 to 48. Our audit has been carried out in accordance with approved auditing standards.

In our opinion the historical cost accounts give a true and fair view of the state of affairs of the company and of the group, so far as concerns members of the company, at 31 December 1983, and of the profit and source and application of funds of the group for the year then ended, and comply with the Companies Acts 1948 to 1981.

In our opinion the supplementary current cost accounts give a true and fair view of the state of the group's affairs at 31 December 1983 and of its results for the year then ended in accordance with the current cost principles described in Statement of Standard Accounting Practice No. 16.

Ernst & Whinney  
Chartered Accountants

London  
8 March 1984

millions

1,419

(18)

71

19

2

(3)

1,493

1983 1982

263 1,186

153 142

38 47

2,390 1,094

1,844 3,369

## Five year summary

Historical cost convention

Amounts in £ millions

	1983	1982	1981	1980	1979
Profit before taxation	225	251	231	230	315
Taxation	100	81	39	62	123
Profit attributable	114	145	123	167	166
Amounts in £ millions					
Shareholders' funds	1,899	1,562	1,444	1,332	1,210
Minority interests	485	460	336	33	14
Subordinated loan capital	971	861	631	437	358
Total capital resources	3,355	2,883	2,411	1,802	1,582
Current, deposit and other customer accounts	48,207	44,231	37,748	22,870	18,042
Advances and other accounts	39,106	35,962	29,195	17,040	13,127
Total assets	52,613	47,999	41,010	25,320	20,196
Return on average shareholders' funds	12.5%	14.5%	16.7%	17.6%	29.0%
Free capital ratio	4.6%	4.0%	3.5%	4.7%	5.1%
Loan capital ratio	27.0%	28.8%	24.3%	22.6%	21.1%
Average shares in issue (millions)	195	177	173	172	171
Earnings per share	60.6p	82.4p	109.0p	96.4p	111.7p
Dividends per share	25.5p	25.5p	24.0p	21.5p	20.0p
Dividend cover	2.4	3.4	4.8	4.7	5.9
Shareholders	90,818	86,367	88,604	90,442	93,541
Average base rate	9.8%	11.9%	13.3%	16.3%	13.7%

## Notes

- a 1979-1982 adjusted for 1983 rights issue  
 b Dividend cover is calculated by dividing adjusted earnings per share by adjusted dividends  
 c Number of shareholders registered at year end

## Supplement

In the autumn of 1983 Midland Bank Group issued the US Securities and Exchange Commission Form F-10 the raising of loan capital supplementary information and format of the 1983 annual report which will be published in these accounts.

In this report the analysis of Midland Bank Group is by operations. The businesses are divided into Domestic and International management responsibility reflects whether the major activity is in the United Kingdom or another country. Further divided into four categories of the office in which the expenditure are recorded.

The fluctuations in the exchange rates have a significant effect on the assets, liabilities, income and consequently on the overall international business.

Interest on subordinated loan capital is recorded in Domestic and International employed in these sectors. The capital of certain subsidiary companies relating to those sectors allocation have been made in the treatment of Midland Bank subsidiary companies referred to in the following.

## Asset and profit before

The asset and profit before taxation for Domestic and International are set out in the following:

Average interest earnings  
 Domestic  
 International

Average non-interest earnings

Profit before interest on  
 Domestic  
 International

Interest on subordinated  
 Domestic  
 International

Profit before taxation  
 Domestic  
 International

## Supplementary financial information

Amounts in £ millions

in £ millions	
1979	
315	
143	
166	
in £ millions	
1,210	
11	
358	
1,582	
18,042	
13,137	
20,196	
29.0%	
5.1%	
21.1%	
171	
111.7p	
20.0p	
5.9	
93,541	
13.7%	

In the autumn of 1983 Midland Bank plc filed a prospectus with the US Securities and Exchange Commission in connection with the raising of loan capital in the US domestic market. The supplementary information which follows accords with the style and format of that prospectus and will be incorporated in the annual report which will be filed with the SEC following the publication of these accounts.

In this report the analysis by principal geographical areas of the Midland Bank Group is between Domestic and International operations. The businesses domiciled in the UK are allocated between Domestic and International sectors in accordance with internal management responsibilities. This allocation primarily reflects whether the majority of the business is recorded in sterling or another currency. The International business is further divided into four major geographical areas based on the domicile of the office in which the assets, liabilities, income and expenditure are recorded.

The fluctuations in the value of sterling relative to other currencies have a significant effect upon the sterling amounts of assets, liabilities, income and expenditure in such currencies and consequently on the overall allocation to Domestic and International business.

Interest on subordinated loan capital is allocated between the Domestic and International sectors on the basis of the net assets employed in these sectors, except for the subordinated loan capital of certain subsidiaries which have been attributed to the sectors relating to those subsidiaries. No adjustments to this allocation have been made as a result of the change in the treatment of Midland Bank plc's investments in associated and subsidiary companies referred to in note 1n on the accounts.

## Asset and profit before tax contributions

The asset and profit before tax contributions of the Group's Domestic and International operations over the past four years are set out in the following table

	1983	1982	1981	1980
Average interest earning assets				
Domestic	14,460	13,816	12,437	11,338
International	32,010	27,009	14,202	7,013
	46,470	40,825	26,639	18,351
Average non-interest earning assets	6,363	5,439	3,701	2,750
	52,833	46,264	30,340	21,101
Profit before interest on subordinated loan capital and taxation				
Domestic	287	229	199	153
International	32	114	115	117
	319	343	314	270
Interest on subordinated loan capital				
Domestic	41	43	47	28
International	53	49	36	12
	94	92	83	40
Profit before taxation				
Domestic	246	186	152	125
International	(21)	65	79	105
	225	251	231	230

# Supplementary financial information-continued

## Average consolidated balance sheet and net interest income

	Average Balance	Interest	1983 Average Rate %	Average Balance	Interest	1982 Average Rate %
<b>Liabilities and shareholders' funds</b>						
Interest bearing current accounts						
Domestic	251	15	6.0	186	16	8.6
International	2,884	222	7.7	1,711	163	9.5
	3,135	237	7.6	1,897	179	9.4
Money market—overnight and call deposits						
Domestic	1,035	99	9.6	903	107	11.8
International	3,507	256	7.3	2,200	238	10.8
	4,542	355	7.8	3,103	345	11.1
Deposit and savings accounts						
Domestic	4,158	276	6.6	4,009	357	8.9
International	2,211	150	6.8	1,526	99	6.5
	6,369	426	6.7	5,535	456	8.2
Money market—other deposits						
Domestic	5,118	538	9.9	5,252	661	12.6
International	21,790	2,094	9.6	20,120	2,025	13.0
	27,208	2,632	9.7	25,402	3,286	12.9
Long-term borrowings						
International	182	18	9.9	143	14	9.8
Subordinated loan capital (i)						
Domestic	390	41	10.5	363	43	11.8
International	491	53	10.8	342	49	14.3
	881	94	10.7	705	92	13.0
<b>Total interest bearing liabilities</b>	<b>42,317</b>	<b>3,762</b>	<b>8.9</b>	<b>36,783</b>	<b>4,372</b>	<b>11.9</b>
Non-interest bearing current accounts						
Domestic	3,745			3,514		
International	2,707			2,423		
	6,452			5,937		
Other liabilities						
Domestic	536			663		
International	1,335			971		
	1,871			1,634		
Minority interests						
Domestic	1			1		
International	465			380		
	466			381		
Shareholders' funds						
Domestic	1,064			990		
International	663			537		
	1,727			1,527		
<b>Total average liabilities and shareholders' funds and interest payable</b>	<b>52,833</b>	<b>3,762</b>	<b>7.1</b>	<b>46,264</b>	<b>4,372</b>	<b>9.5</b>
Percentage applicable to international operations	68.6%			65.7%		
<b>Net interest income (after interest on subordinated loan capital)</b>		<b>1,426</b>			<b>1,339</b>	
<b>Net interest margin</b>						
Interest receivable as a percentage of average interest earning assets			11.2			14.0
Interest payable (excluding interest on subordinated loan capital) as a percentage of average interest earning assets			7.9			10.5
<b>Net interest margin</b>			<b>3.3</b>			<b>3.5</b>

Assets  
Short-term funds  
Domestic  
International

Investments  
Domestic  
International

Lendings to central banks (iii)  
Domestic  
International

Equipment less accumulated depreciation  
Domestic  
International

Total interest income  
Cash, bank and central bank deposits  
Domestic  
International

Items in course of collection  
Domestic  
International

Dealing with customers  
Domestic  
International

Accrued interest  
Domestic  
International

Investments and trade in securities  
Domestic  
International

Premises and equipment  
Domestic  
International

Total average assets  
receivable  
Percentage applicable to international operations

(i) Subordinated loan capital  
Group deposits  
(ii) Short-term deposits and other  
(iii) Interest on deposits (are not included in the above figures)  
million

## Amounts in £ millions

	1982 Average Rate %		Average Balance	Interest	1983 Average Rate %	Average Balance	Interest	1982 Average Rate %
<b>Assets</b>								
<b>Short-term funds (ii)</b>								
Domestic			1,449	147	10.1	1,629	204	12.5
International			5,802	582	10.0	4,487	483	13.0
			7,251	729	10.1	6,116	787	12.7
<b>Investments</b>								
Domestic			686	108	12.2	871	116	13.5
International			769	70	9.1	789	67	8.5
			1,655	178	10.8	1,660	183	11.0
<b>Lendings to customers and placings with banks (iii)</b>								
Domestic			11,280	1,460	12.9	10,572	1,581	15.0
International			25,216	2,720	10.8	21,524	3,062	14.2
			36,496	4,180	11.5	32,096	4,643	14.5
<b>Equipment leased to customers</b>								
Domestic			845	77	9.1	744	77	10.3
International			223	24	10.8	267	21	10.0
			1,068	101	9.5	953	98	10.3
<b>Total interest earning assets</b>			46,470	5,188	11.2	40,825	5,711	14.0
<b>Coin, bank notes, balances with central banks and gold</b>								
Domestic			416			417		
International			854			758		
			1,270			1,175		
<b>Items in course of collection from other banks</b>								
Domestic			354			412		
International			618			763		
			972			1,175		
<b>Dealing assets</b>								
Domestic			62			16		
International			1,102			729		
			1,164			745		
<b>Accrued interest and other accounts</b>								
Domestic			387			431		
International			1,088			703		
			1,695			1,134		
<b>Investments in associated companies and trade investments</b>								
Domestic			63			88		
International			104			98		
			167			186		
<b>Premises and equipment</b>								
Domestic			539			522		
International			556			502		
			1,095			1,024		
<b>Total average assets and interest receivable</b>			52,833	5,188	9.8	46,264	5,711	12.3
<b>Percentage applicable to international operations</b>			69.2%			66.1%		

(i) Subordinated loan capital is that part of the Midland Bank Group's loan capital which is fully subordinated to depositors and all other creditors.

(ii) Short-term funds comprise money at call and short notice, short-term certificates of deposit and British Treasury bills and other bills discounted.

(iii) Interest earning placings with banks repayable within 30 days (£5,641 million for 1983 and £4,577 million for 1982) are included with short-term funds and those repayable beyond 30 days (£6,764 million for 1983 and £6,429 million for 1982) with lendings to customers.

(iv) Intersegment balances and transactions between the Domestic and International operations are excluded. The average balance due to the Domestic segment from the International segment for 1983 was £317 million and for 1982 was £179 million. Interest paid by International for those periods was £38 million and £9 million, respectively.

## Supplementary financial information—continued

### Change in interest receivable and payable—volume and rate analysis

	1983 and 1982			1982 and 1981		
	Increase (decrease) due to changes in Average Volume	Average Rate	Net Change	Increase (decrease) due to changes in Average Volume	Average Rate	Net Change
Short-term funds and investments						
Domestic	(21)	(44)	(65)	(56)	(12)	(68)
International	158	(154)	2	781	(94)	187
Advances and other accounts						
Domestic	118	(239)	(121)	279	(93)	186
International	528	(967)	(339)	1,838	(614)	1,224
Interest receivable	783	(1,301)	(523)	2,342	(813)	1,529
Deposits						
Domestic	56	(269)	(213)	218	(155)	63
International	586	(989)	(403)	1,779	(682)	1,097
Long-term borrowings						
International	4	--	4	8	--	8
Interest payable	646	(1,258)	(612)	2,005	(837)	1,168
Net interest income (before interest on subordinated loan capital)						
Domestic	41	(14)	27	4	50	55
International	96	(34)	62	333	(26)	306
	137	(48)	89	337	24	361

Volume changes are caused by differences in the level of interest earning assets and of interest bearing deposits and borrowings. Rate changes result from differences in yields earned on assets and rates paid on liabilities. Changes attributable to a combination of both volume and rates have been allocated to rates.

### Average current, deposit and other customer accounts by geographical area

	1983	1982	1981	1980
Domestic				
Current and demand accounts	5,031	4,603	4,187	4,054
Deposit and savings accounts	4,158	4,009	3,772	3,268
Money market and other time deposits	5,418	5,252	4,256	4,279
	14,607	13,864	12,215	11,641
International				
United Kingdom	15,965	13,195	9,492	5,367
United States	12,175	10,445	2,006	25
Europe	2,505	2,451	1,895	732
Rest of the World	2,454	1,919	1,065	292
	33,099	28,010	14,458	6,416
	47,706	41,874	26,673	18,057

Amounts in £ millions

## Average interest earning assets and net interest income

The following table shows the levels of average interest earning assets and net interest income of the Domestic and International operations with the related gross and net returns obtained

	1983	1982	1981	1980
<b>Average interest earning assets</b>				
Domestic	14,460	13,816	12,437	11,338
International	32,010	27,009	14,302	7,013
Group	46,470	40,825	26,639	18,351
<b>Net interest income</b>				
Domestic	864	837	782	649
International	656	594	288	238
Group	1,520	1,431	1,070	887
	%	%	%	%
<b>Gross yield (i)</b>				
Domestic	12.4	14.3	15.0	17.3
International	10.6	13.8	16.4	14.3
Group	11.2	14.0	15.7	16.1
<b>Net interest margin (ii)</b>				
Domestic	6.0	6.1	6.3	5.7
International	2.0	2.2	2.0	3.4
Group	3.3	3.5	4.0	4.0
<b>Interest spread (iii)</b>				
Domestic	3.9	3.3	2.5	1.7
International	1.6	1.6	1.6	1.6
Group	2.3	2.1	1.8	1.7

(i) Gross yield represents the average interest rate on average interest earning assets.

(ii) Net interest margin represents net interest income, divided by average interest earning assets.

(iii) Interest spread represents the difference between the rates of interest earned and paid on average interest earning assets and average interest bearing funds (excluding subordinated loan capital), respectively.

## Average interest rates

	1983	1982	1981	1980
	%	%	%	%
Midland Bank base rate	9.8	11.9	13.3	16.3
London interbank offered rate				
Three months sterling	10.1	12.4	14.0	16.7
Six months eurodollar	9.9	13.6	17.9	14.0
United States prime rate	10.8	14.9	18.9	15.3

1982 and 1981  
in changes in  
Net  
Change

(1) (68)

(1) 187

(1) 186

(1) 1,224

(1) 1,529

(3) 63

(2) 1,097

(1) 8

(7) 1,168

(0) 55

(8) 306

(4) 361

1980

4,094

3,268

4,279

11,641

5,367

25

732

292

6,416

18,057



# Supplementary financial information—continued

At 31 December

## Lendings to customers by geographical area and by type of customer

	1983	1982	1981	1980
<b>Domestic</b>				
Customers domiciled in the United Kingdom	59	72	143	160
Loans guaranteed by government agencies				
Local and national government and government-owned utilities	129	91	145	88
Agriculture, forestry and fishing	1,107	1,021	878	787
Manufacturing, construction and other production	2,645	2,743	2,579	2,476
Financial and services	3,323	1,452	3,059	2,776
Property companies	372	311	232	187
Individuals	3,802	3,246	2,280	1,637
	11,437	10,916	9,316	8,211
Overseas residents	376	342	286	241
	11,813	11,258	9,602	8,452
<b>International—United Kingdom</b>				
Customers domiciled in the United Kingdom	1,162	1,132	830	722
Loans guaranteed by government agencies				
Local and national government and government-owned utilities	60	54	121	172
Agriculture, forestry and fishing	2	2	3	3
Manufacturing, construction and other production	821	650	489	288
Financial and services	796	754	487	211
Property companies	29	18	20	19
Individuals	62	26	19	10
	2,932	2,636	1,969	1,425
Overseas residents	4,323	3,512	2,483	1,613
	7,255	6,148	4,452	3,038
<b>International—United States (iii)</b>				
Commercial, financial and industrial	4,061	4,104	3,005	
Property construction	781	902	701	
Property mortgage	1,966	1,770	1,479	
Consumer instalment	1,684	1,260	1,079	
Non-United States lendings	582	301	258	
	9,074	8,397	6,522	
<b>Europe</b>	1,770	1,650	1,676	1,420
<b>Rest of the World</b>	1,583	1,053	680	378
	31,495	28,506	22,932	13,283

(i) Lendings to customers comprises advances and instalment finance to customers - see note 25 on the accounts.

(ii) The analyses by type of customer are based mainly on the requirements of the regulatory authorities in each country and, as such requirements are not wholly comparable from one country to another, a consolidated analysis cannot be presented.

(iii) Prior to the acquisition of Crocker in 1981, the Group's lendings recorded in the United States were not significant.

## Amounts in £ millions

At 31 December

## Lendings to customers by maturity and by interest sensitivity

	Domestic	International- United Kingdom	1983 International- Rest of World
<b>By maturity</b>			
Less than one year	7,954(i)	3,297	5,759
One year to five years	2,488	2,554	3,680
Over five years	1,371	1,404	2,988
	3,859	3,958	6,668
	11,913	7,253	12,427
<b>By interest sensitivity (over one year)</b>			
Fixed rate	1,040	404	3,670
Variable rate	2,819	3,554	2,998
	3,859	3,958	6,668

(i) Includes overdrafts.

## Placings with banks (over 30 days)

	1983	1982	1981	1980
Domestic	182	269	384	441
International				
United Kingdom	2,718	2,336	2,248	1,597
United States	1,816	1,919	950	7
Europe	492	501	443	462
Rest of the World	844	987	951	171
	5,870	5,743	4,592	2,237
	6,052	6,012	4,976	2,678

### Movements in provision

	1983	1982	1981	1980
Provision at 1 January	484	378	232	158
Currency translation adjustment	31	20	5	(3)
Acquisition of subsidiaries	—	—	88	14
Charge for the year	118	196	113	83
Recoveries	5	20	6	6
Amounts written off	(165)	(130)	(66)	(26)
Provision at 31 December	673	404	378	232
Comprising				
Specific	429	376	309	186
General	244	108	69	46
Total	673	484	378	232

Specific	1.31	1.28	1.30	1.34
General	0.75	0.37	0.29	0.33
Total	2.06	1.65	1.59	1.67

### Specific provisions

Specific provisions	80	62	64	75
Domestic				
International	16	23	21	(2)
United Kingdom	114	55	4	1
United States	4	17	12	5
Europe	14	5	9	—
Rest of the World	148	100	46	4
	228	162	110	79
General provisions	90	34	4	4
Total charge for the year	318	196	114	83

	%	%	%	%
Charge for the year as a percentage of average lendings	1.03	0.74	0.71	0.69

The Securities and Exchange Commission has approved the plan of reorganization of four risk categories of restructured loan portfolios and the control and review of loans by these doubtful debts in the light of the account.

For the purposes of the requirements of the Act, the Service has estimated the classification of the accrual, past due loans. These are \$0.4 bn, respectively, the fact that a v

(iii) Foreign o

The table below shows the outstanding amounts (all amounts comprising loans and certain other

**The breakdown  
domicile of the**

United Kingdom  
Europe  
United States  
Rest of the World

Some 82% of customers in the U.S. and North America, and Australia,

As shown in the table, the predominantly nonperforming outstandings total 10% of the portfolio for 8% and under.

in £ millions

### Risk elements

The Securities and Exchange Commission requires the disclosure of four risk categories of loans: (i) non-accrual, past due and restructured loans, (ii) potential problem loans, (iii) foreign outstandings and (iv) loan concentrations. The Group's loan control and review procedures do not include the categorisation of loans by these risk elements. It makes provision for bad and doubtful debts in accordance with the accounting policy in note 1d on the accounts.

#### (i) Non-accrual, past due and restructured loans and (ii) potential problem loans

For the purposes of attempting to comply with the requirements of the Commission, the management of the Bank has estimated the amount of loans which, had the Commission's classifications been followed, would have been classified as non-accrual, past due and restructured loans and as potential problem loans. These amounts at 31 December 1983 were £1.3 bn and £0.4 bn, respectively. No adjustment has been made to reflect the fact that a substantial proportion of such lendings is secured.

Management believes that the provision for bad and doubtful debts adequately covers anticipated losses.

#### (iii) Foreign outstandings

The table below shows the geographical distribution of Group outstandings (amounting to £51 bn at 31 December 1983) comprising lendings to customers, market placings, acceptances and certain other monetary assets.

The breakdown of group outstandings is based on the country of domicile of the borrower or guarantor of ultimate risk.

	Percentage of Group Outstandings
United Kingdom	46
Europe	14
United States	20
Rest of the World	20
	<u>100</u>

Some 82% of total Group outstandings are in respect of customers in the United Kingdom, Western European countries and North America. Including the developed economies of Japan and Australia, this proportion rises to some 86%.

As shown in the above table, the Group's business is predominantly with countries with developed economies; outstandings to Latin American and Comecon countries account for 8% and under 1% of total outstandings, respectively.

At 31 December 1983 cross border outstandings to countries experiencing liquidity difficulties which individually represented in excess of 1% of total Group assets (including acceptances) were limited to the following

	Outstandings £ billions	Percentage of Total Group Assets %
Brazil	1.3	2.4
Mexico	1.0	1.8
Argentina	0.6	1.1

Outstandings to the above three countries are virtually all in US dollars, and none is denominated in local currencies. Of the aggregate lending to the above three countries, no material amounts have been included in the amounts shown above for non-accrual, past due and restructured loans and potential problem loans.

In addition, cross border outstandings to the following countries exceeded 0.75% of total Group assets (including acceptances)

	Outstandings £ billions	Percentage of Total Group Assets %
Japan	1.5	2.7
United States	1.4	2.6
Italy	0.9	1.7
France	0.6	1.1
Korea	0.6	1.1
West Germany	0.6	1.1
Canada	0.5	0.9

#### (iv) Loan concentrations

Loan concentrations, as defined by the Commission, are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. There was no loan concentration at 31 December 1983 which exceeded 10% of total lendings.

## Crocker National Corporation

Crocker National Corporation\* (Crocker), in which Midland's interest is 57% on a fully diluted basis, is one of the larger banks based in California and is the largest subsidiary grouping within the Midland Bank Group.

A summary of profit before taxation and the consolidated balance sheet is as follows

Profit before taxation	1983	1982
As reported by Crocker	\$m	\$m
Operating income	884	862
Operating expense	731	711
Trading profit before charge for bad and doubtful debts	153	151
Provision for bad and doubtful debts	173	59
(Loss) profit before taxation	(20)	92

As consolidated in the Midland Bank Group accounts (after adjustment to accord with Midland Bank Group accounting policies)

	£m	£m
Trading profit before charge for bad and doubtful debts	103	83
Provision for bad and doubtful debts	120	37
(Loss) profit before taxation	(17)	46

### Consolidated balance sheet

Assets	£m	£m
Liquid assets and investments	3,400	2,771
Advances and other accounts	11,466	11,445
Premises and equipment	428	372
	15,294	14,588
Less liabilities		
Current and deposit accounts and other liabilities	14,246	13,672
Longer term liabilities	115	107
	14,361	13,779
Shareholders' funds	933	809

\*audited by Arthur Andersen & Co

## European Banks' International Company

European Banks' International Company SA (EBIC) is an association of seven major European banks, and Midland is the exclusive UK member. The EBIC partners have established five major international financial enterprises (in some cases with other participants), and the close relationship which has been developed puts the individual national branch networks at the service of the customers of all of the EBIC banks.

The shareholder banks and the Directors who represent them are



Amsterdam-Rotterdam Bank NV  
R. J. Nelissen; F. Hoogendijk



Banca Commerciale Italiana  
F. Cingano; E. Braggiotti



Creditanstalt-Bankverein  
H. Androsch; G. N. Schmidt-Chiari



Deutsche Bank AG  
F. W. Christians; W. Guth



Midland Bank plc  
G. W. Taylor; J. G. Harris



Société Générale de Banque SA (Belgium)  
E. de Villegas de Clercamp; P. E. Janssen



Société Générale (France)  
J. Mayoux; M. Viénot

## Regional head offices

**Midland Bank plc**  
 Poultry, London EC2P 2BX  
 Telephone 01-606 9911  
 Telex 8811822

**City and London East**  
 122 Old Broad Street,  
 London EC2N 1AE  
 Telephone 01-606 9911 Ext 2429  
 Regional Director: W. A. Barnett

**London North**  
 33 George Street, London W1H 6BH  
 Telephone 01-486 6696  
 Regional Director: W. H. K. Matthews

**London South**  
 Black Swan House,  
 Kennet Wharf Lane,  
 London EC4V 3BT  
 Telephone 01-248 8842/8  
 Regional Director: A. C. Clark

**London West**  
 70 Pall Mall, London SW1Y 5EZ  
 Telephone 01-930 9353/9  
 Regional Director: J. B. Willett

**Birmingham**  
 Exchange Buildings,  
 8 Stephenson Place, New Street,  
 Birmingham B2 4NH  
 Telephone 021-643 9241

Regional Director: G. D. Perfect

**Central Southern**  
 Cumberland House,  
 15 Cumberland Place,  
 Southampton SO9 3RN  
 Telephone 0703-30184

Regional Director: K. J. Gardiner

**East Anglia**  
 Castle House, Castle Meadow,  
 Norwich NR2 1PL  
 Telephone 0603-21591/7

Regional Director: R. H. Fisher

**East Midlands**  
 Beaumont House,  
 135/141 Granby Street,  
 Leicester LE1 6PF  
 Telephone 0533-554161

Regional Director: J. A. Roberts

**Home Counties**  
 33 George Street, London W1H 6BH  
 Telephone 01-486 6696

Regional Director: J. N. Borcham

**Liverpool and Preston**  
 12 Winckley Square,  
 Preston PR1 3EY  
 Telephone 0772-50771/7

Regional Director: T. E. H. Crawford

**Manchester**  
 56 Spring Gardens,  
 Manchester M60 2RX  
 Telephone 061-832 9492

Regional Director: I. M. Wills

**North Eastern**  
 Scottish Life House, Bond Court,  
 Leeds LS1 1LL  
 Telephone 0532-438191

Regional Director: J. B. Smith

**Sheffield**  
 35 George Street, Sheffield S1 1PQ  
 Telephone 0742-77263/9

Regional Director: E. J. McKay

**South East**  
 Concorde House, 10 London Road,  
 Maidstone, Kent ME16 8QG  
 Telephone 0622-61191/5

Regional Director: J. R. Vaughan

**South West (Bristol)**  
 Cote House, The Promenade,  
 Clifton, Bristol BS99 7DF  
 Telephone 0272-730060

Regional Director: A. E. Troop

**South West (Exeter)**  
 Cowley Place, Exeter EX5 5EX  
 Telephone 0392-78081/7

Regional Director: A. E. Troop

**West Midlands**  
 Exchange Buildings,  
 8 Stephenson Place, New Street,  
 Birmingham B2 4NH  
 Telephone 021-643 9241

Regional Director: C. O'Brien

**Wales**  
 Senior Regional Director (Wales)  
 W. E. Evans, CBE

**North Wales**  
 Ebberston Road West, Rhos-on-Sea,  
 Colwyn Bay, Clwyd LL28 4BE  
 Telephone 0492-47444/6

Regional Director: R. G. Roberts

**South Wales**  
 Churchill House, Churchill Way,  
 Cardiff CF1 4AX  
 Telephone 0222-44351/6

Regional Director: J. J. Higgs

## Offices overseas

Midland Bank plc  
International Division  
110 Cannon Street  
London EC4N 6AA  
Telephone 01-623 9393  
Telex 888401

The Midland Bank's overseas representation is the responsibility of the International Division. Information concerning the full range of services available from all members of the Midland Bank Group throughout the world can be obtained in the United Kingdom or through the following overseas offices

**Amsterdam**  
Weteringschans 26, 2nd Floor,  
1017 SG Amsterdam, Netherlands  
Telephone 26 22 35

Representative: H. Esler

**Athens Branch**  
PO Box 2139, 97 Syngrou Avenue,  
Athens 405, Greece  
Telephone 923 4521

Chief Manager, Greek Branches:  
H. Hiliadakis

**Bahrain Branch**  
PO Box 5675, Entrance No. 2,  
4th Floor, Manama Centre,  
Government Avenue, Manama,  
Bahrain  
Telephone 257 100

Group Representative and Senior  
Manager: M. J. Cox

**Beijing (Peking)**  
Room 6055, Beijing Hotel, Beijing,  
People's Republic of China  
Telephone 556110

Senior Group Representative:  
P. E. Pritchard

**Bogota**  
Representative for Midland Bank plc  
and Samuel Montagu & Co. Limited:  
Sr. H. Jaramillo Robledo. All  
enquiries for this office should be  
routed through C. M. Pengilly,  
Senior Executive, Latin American  
Region, Midland Bank plc,  
International Division, 110 Cannon  
Street, EC4N 6AA

**Bombay**  
152 Maker Chamber IV, 14th Floor,  
222 Nariman Point, Bombay 400021,  
India  
Telephone 220 127

Representative: B. W. Richards

**Brussels**  
Group EEC Representative Office,  
Rue de la Loi 15, Die 013,  
B-1040 Brussels, Belgium  
Telephone 230 03 85

Group Representative:  
J. C. L. Kenchington

**Buenos Aires**  
25 de Mayo 140, 5 Piso,  
1002 Buenos Aires, Argentina  
Telephone 30 2730

Group Representative: J. Church

**Cairo**  
3 Ahmed Nessim Street, Giza, Cairo,  
Egypt  
Telephone 726934

Group Representative: N. L. Rands

**Hong Kong Branch**  
24th Floor, Prince's Building,  
10 Chater Road, Hong Kong  
Telephone 265 678

Regional Manager (Far East):  
R. A. N. Henley  
Chief Manager: A. K. Pearson

**Madrid Branch**  
PO Box 2472,  
29 J. Ortega y Gasset Street,  
1st Floor, Edificio Beatriz,  
Madrid 6, Spain  
Telephone 431 06 13

Chief Manager:  
D. Vives

**Mexico City**  
Insurgentes Sur 954-PH,  
Mexico City 03100, Mexico  
Telephone 536 9441

Group Representative: J. M. Fernandez

**Moscow**  
Flat 21/22, 148 Leninsky Prospect,  
Moscow, USSR  
Telephone 434 4661

Group Representative:  
A. T. Norman

**New York Branch**  
520 Madison Avenue,  
New York, NY 10022, U.S.A.  
Telephone 759 8300

Executive Vice President and Chief  
Manager: H. P. Abplanalp

**Paris Branch**  
2 Place de la Madeleine, F-75008,  
Paris, France  
Telephone 563 22 11

Chief Manager: M. Vuillermet

**Piraeus Branch**  
PO Box 461, 93 Akti Miaouli,  
Piraeus, Greece  
Telephone 413 6403

Manager: N. Pilavachi

**São Paulo**  
Midland Montagu Administração e  
Participações Limitada,  
Brasilinvest Plaza,  
Ave. Brig. Faria Lima 2020, 4 Andar,  
Caixa Postal 22208,  
01452 São Paulo, Brazil  
Telephone 814 4422

President and Senior Group  
Representative: D. D. Pearson

**Singapore Branch**  
4805 OCBC Centre, Chulia Street,  
Singapore 0104  
Telephone 916188

Chief Manager: J. C. McLean

**Sydney**  
Level 10, Associated Midland House,  
171-175 Clarence Street, Sydney,  
New South Wales 2000, Australia  
Telephone 290 8800

Group Representative:  
R. F. Wallis

**Tokyo Branch**  
Togin Building,  
4-2 Marunouchi 1-chome,  
Chiyoda-Ku, Tokyo 100, Japan  
Telephone 284 1861

Chief Manager: K. Yoshida  
Deputy Chief Manager: M. Wade



## Principal subsidiaries

### UNITED KINGDOM

Midland Bank Trust Company Limited  
6 Threadneedle Street, London EC2N 8DH  
Chairman: P. S. Hargreaves Managing Director: R. G. Heape

Midland Bank Industrial Equity  
Holdings Limited  
27/32 Poultry, London EC2P 2BX  
Chairman: P. S. Hargreaves

Midland Group Insurance Brokers Limited  
27/32 Poultry, London EC2P 2BX  
Chairman: P. S. Hargreaves

Midland Bank Group International  
Trade Services Limited  
Candlewick House, 120 Cannon Street,  
London EC4N 6AB  
Chairman: W. G. Barrett  
General Manager: R. L. Wyatt

Northern Bank Limited  
PO Box 183, Donegall Square West,  
Belfast BT1 6JS  
Chairman: S. T. Graham, CBE, DIC  
Group Managing Director: W. Ervin

Forward Trust Group Limited  
Broad Street House, 55 Old Broad  
Street, London EC2M 1RX  
Chairman: Sir Malcolm Wilcox CBE  
Chief Executive: I. Paterson

Samuel Montagu & Co. Limited  
114 Old Broad Street,  
London EC2P 2HY  
Chairman and Chief Executive:  
J. S. Gadd

Clydesdale Bank PLC  
30 St. Vincent Place, Glasgow G1 2HL  
Chairman: Sir Robert Fairbairn, JP  
Chief General Manager:  
A. R. Cole-Hamilton

The Thomas Cook Group Limited  
Thorpe Wood,  
Peterborough PE3 6SB  
Chairman: Sir John Cuckney  
Deputy Chairman and Chief Executive:  
A. G. Kennedy, OBE

Associated Midland  
Corporation Limited  
GPO Box 5273,  
171/175 Clarence Street, Sydney,  
New South Wales 2000, Australia  
Chairman: I. R. L. Harper  
Managing Director: D. W. King

Crocker National Corporation  
and Crocker National Bank  
Crocker Centre, West Tower,  
One Montgomery Street, San Francisco,  
California 94104, U.S.A.  
Chairman: J. B. M. Place  
Senior Vice Chairman: J. G. Harris

Handelsfinanz Midland Bank  
3 bis, Place de la Fusterie,  
1204 Geneva, Switzerland  
Chief Executive: S. Toker

Midland Bank Canada  
PO Box 411, Exchange Tower,  
2 First Canadian Place, Toronto, Ontario, M5X 1E3, Canada  
President and Chief Executive Officer: J. H. B. Nederpelt  
Also offices in Calgary, Edmonton and Vancouver

Trinkaus & Burkhart KG  
PO Box 1108, Königallee 21/23,  
4000 Düsseldorf 1, West Germany  
Chairman of the Administrative  
Board: H. H. Jacobi  
Subsidiaries in Luxembourg and  
Switzerland.

Midland Bank (Singapore) Limited  
4805 OCBC Centre, Chulia Street,  
Singapore 0104  
Managing Director: J. C. McLean

Midland Finance (HK) Limited  
24th Floor, Prince's Building,  
10 Chater Road, Hong Kong  
Managing Director: R. A. N. Henley

Midland Bank SA  
2 Place de Rio de Janeiro,  
F-75008, Paris, France  
Chairman of the Executive Board:  
H. de Carnoy  
General Manager: L. Bressler

### OVERSEAS