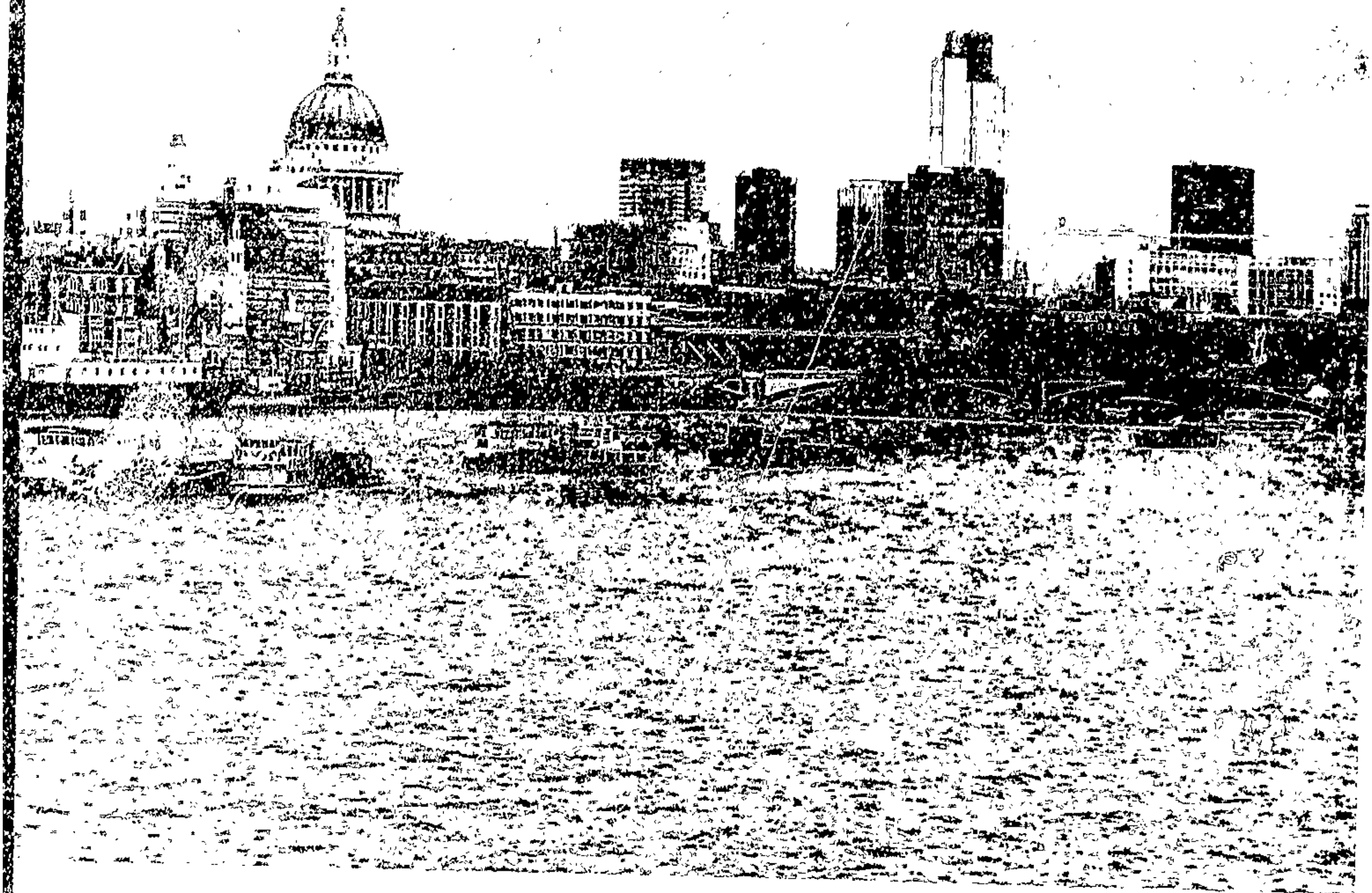
# National Westminster Bank PLC



ANNUAL REPORT AND ACCOUNTS 1990

## Contents

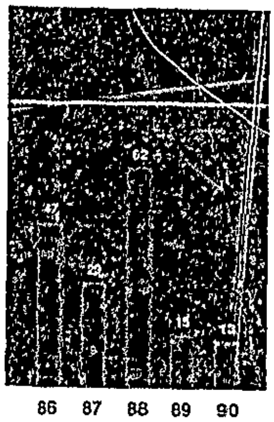
| Results for the year | 1990 £m | 1989 £m | % change |
|---|---|---|---|
| Profit before taxation | 504 | 404 | 25 |
| After charge made for bad and doubtful debts: | | | |
| - commercial and personal | 1,237 | 445 | — |
| - problem countries | (84) | 990 | — |
| Retentions for the year (1990 retentions include £163m of realised revaluation surplus on Yorkshire Bank PLC) | 86 | (65) | — |

| At the year end | £m | £m | % change |
|---|---|---|---|
| Total assets | 121,100 | 116,189 | 4 |
| Ordinary shareholders' equity | 5,894 | 5,934 | (1) |
| Advances and other accounts less provision | 94,279 | 89,627 | 5 |

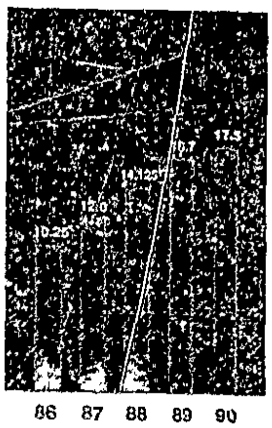
| Information per ordinary share | pence | pence | % change |
|---|---|---|---|
| Dividends - net | 17.5 | 16.7 | 5 |
| Earnings | 13 | 15 | (13) |
| Net asset value | 365 | 377 | (3) |

| Ratios | % | % |
|---|---|---|
| Post-tax return on shareholders' average equity | 3.5 | 3.9 |
| Post-tax return on average total assets | 0.2 | 0.2 |
| Basle convergence ratios: | | |
| -tier 1 capital | 5.2 | 5.3 |
| -total capital | 8.1 | 9.1 |
| Dividend cover | 0.7 times | 0.9 times |


Earnings Per Ordinary Share (pence)




Dividends Per Ordinary Share Net (pence)



In common with much of the banking industry, the NatWest Group has experienced a difficult year. 1990 has been a time of uncertainty, with high interest rates, rising inflation and much slower growth, leading ultimately to recession. We are inevitably affected by the difficulties experienced by the customers we support, and so it has proved.

Worldwide overcapacity in the banking industry has become increasingly apparent. At the same time, tightened capital requirements have sharpened the market's focus on profits and profitability. All of us at NatWest are challenged with the task of reducing costs to reflect current market realities while at the same time implementing the forward-looking business strategies needed to ensure the Group's long-term growth.

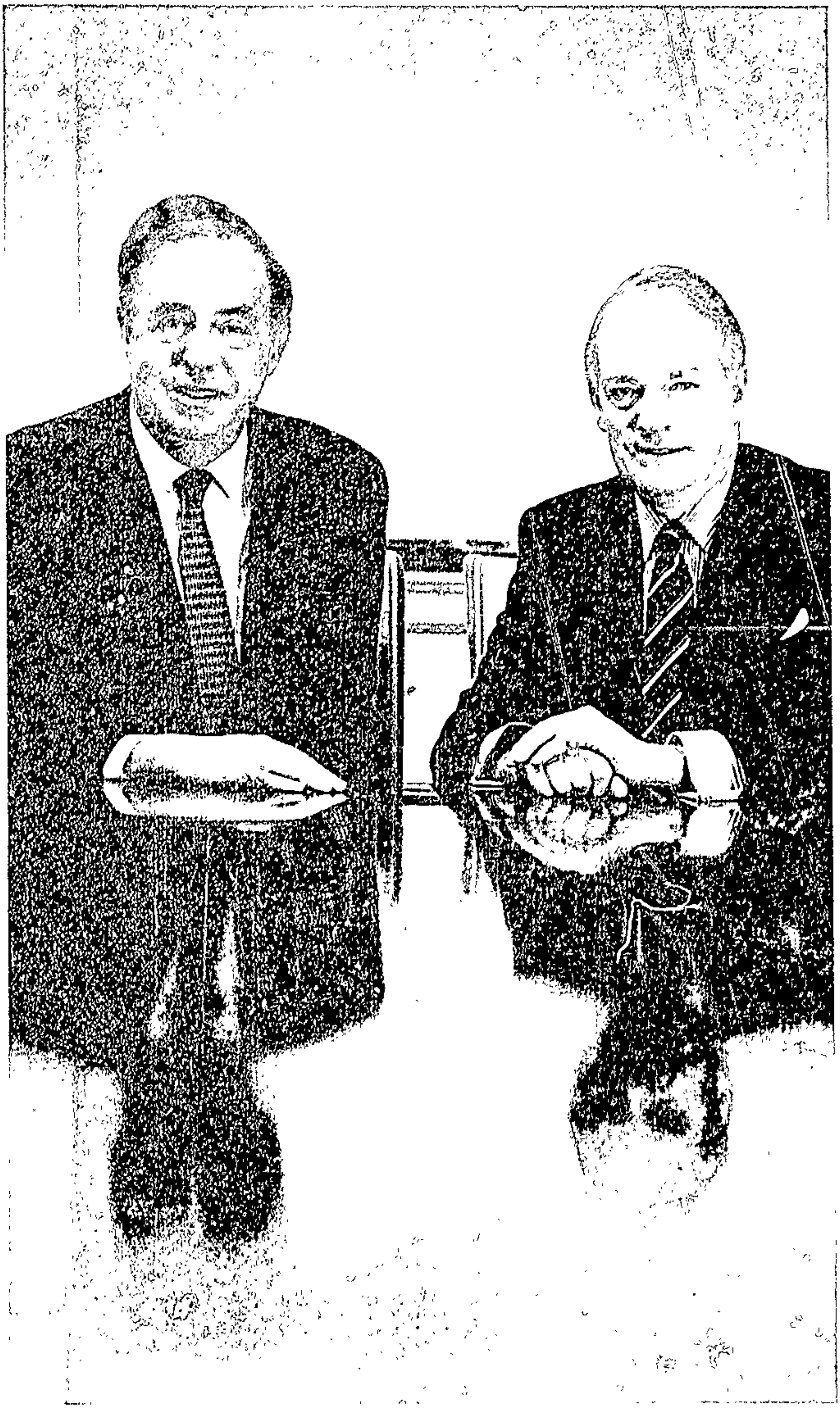
We intend NatWest to be a bank of the highest quality and a leading European financial institution. Our success will be measured by growth in earnings and returns to shareholders.

We shall pursue these goals by further developing customer loyalty, by maintaining balance sheet strength, by tightly monitoring and controlling risks, by focusing on anticipated customer needs and by managing our business prudently and responsibly. As an integral part of the industrial and business scene in this country, we aim to support those companies with whom we have regular banking relationships and to encourage the development of new companies and small businesses.

In the personal sector, we seek to provide an efficient transmission service to our customers and to promote responsible lending. We wish to encourage savings and to conduct our activities in such a way as to contribute to stability and growth in the countries in which we operate.

Through both our service and our community support programme, we take our duty to contribute to society seriously. We are committed to providing the highest standards of training to our staff, and to playing a leading role in protecting the environment. As we have shown in the past year, we are prepared to enter public debate on a range of issues, including the economy, education, and the European Community. At the same time, we intend to provide long-term value to shareholders who are prepared to maintain a long-term relationship with us.

To show clearly how the NatWest Group is responding to these challenges, this year's Report on the Accounts is divided into two parts: the first, The Year in Review, summarises our progress over the past year; and the second, The Way Ahead, reveals the initiatives we are taking now, despite short-term difficulties, to build for a prosperous future.



WE INTEND NATWEST TO BE A BANK OF THE HIGHEST QUALITY AND A LEADING EUROPEAN FINANCIAL INSTITUTION. OUR SUCCESS WILL BE MEASURED BY GROWTH IN EARNINGS AND RETURNS TO SHAREHOLDERS.


**Group Results** The Group's pre-tax profits for 1990 – after setting aside £1,153 million in provisions for bad and doubtful debts – were £[illegible]94 million (1989 £494 million, after provisions of £1,435 million).

Earnings per share in 1990 were 13p (1989 15p). The final dividend for the year is 11.375p net, bringing the total dividend for 1990 to 17.5p. This is an increase of 5 per cent on 1989. It remains our policy to achieve real growth in dividends over the medium to long term, while ensuring adequate retentions to support future business growth. In recent years, we have paid substantial real increases. However, in a period of severe economic downturn and uncertainty, it is appropriate to exercise caution with dividend payments reflecting trading performance and outlook, together with capital adequacy requirements.

Shareholders' equity is £6,041 million. The NatWest Group is strongly capitalised, with capital ratios comfortably above internationally agreed minimum standards.

The Group's trading profit in 1990, before provisions and exceptional items, was £1,662 million – down 12 per cent on 1989. Income, at £5,627 million (1989 £5,355 million), was up 5 per cent – with net interest income up 3 per cent, and non-interest income up 9 per cent.

Costs rose 12 per cent to £3,987 million (1989 £3,567 million). The Group's 1990 cost/income ratio was 70.9 per cent (1989 66.6 per cent). We have held our costs below the original projected rate of growth, but in an increasingly difficult economic climate, income growth was significantly below expectation and, as a result, our cost/income ratio increased. We detail later on in this report what we are doing to address this situation.

**Provisions** A significant rise in provisions has seriously affected our results. In 1990, we also faced depressed economic conditions in our two key areas of geographic concentration: the United Kingdom and the United States. In the UK, the current economic downturn had its initial impact on individuals and small businesses, but more recently there has been a growing need for provisions in the mid-corporate sector, and for a small number of major corporate borrowers.

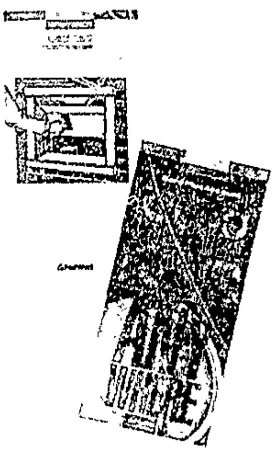
In the United Kingdom, the highest absolute level of provisions is in London and the South East, reflecting both the pattern of the current recession and the downturn in the residential and commercial property markets. Particularly affected have been sundry business services and the personal, property, and retail sectors.

In the United States, National Westminster Bancorp suffered the consequences of a severe economic downturn in its core markets in New York and New Jersey. This coincided with an increased focus by US banking regulators on provisioning requirements. As a result, provisions at our US operating banks in New York and New Jersey have been increased substantially. The real estate section of our loan portfolio was particularly hard hit, following difficulties in the New Jersey market throughout 1990 and a deterioration of the property market in New York City. National Westminster Bancorp's project finance operation suffered adverse exposure from a number of energy-related loans.

**Sector performance** UK Financial Services (UKFS) contributed £[illegible] million to Group profits, before taxation (1989 £648 million). The decrease reflects the softening UK economy during 1990 and increased provisioning.

In this very difficult market, our core UK Branch Business (UKBB) had the largest market share of UK students', small business and business start-up accounts.

Across UKFS, net [illegible] income and commission income continued to grow in 1990. Among UKFS subsidiaries, pre-tax profits from our insurance broking arm, National Westminster Insurance Services (NWIS), rose from £44 million in the 12 months to 30 September 1989 to £97 million in the 15 months ended 31 December 1990. However, profits fell at our finance house, Lombard North Central, from £87 million to £33 million, due primarily to high interest rates, squeezed margins and bad and doubtful debt provisions.



**Corporate and Institutional Banking** (CIB) contributed £219 million to Group profits (1989 £485 million loss). Major features of that improvement were good returns from structured and corporate finance (including project finance and major corporate leasing) and from Group Treasury and Capital Markets (particularly foreign exchange and money markets).

**International Businesses** reported a loss of £257 million, compared to £43 million in 1989. This change reflects increased provisions in harsher global economic conditions, particularly in the United States.

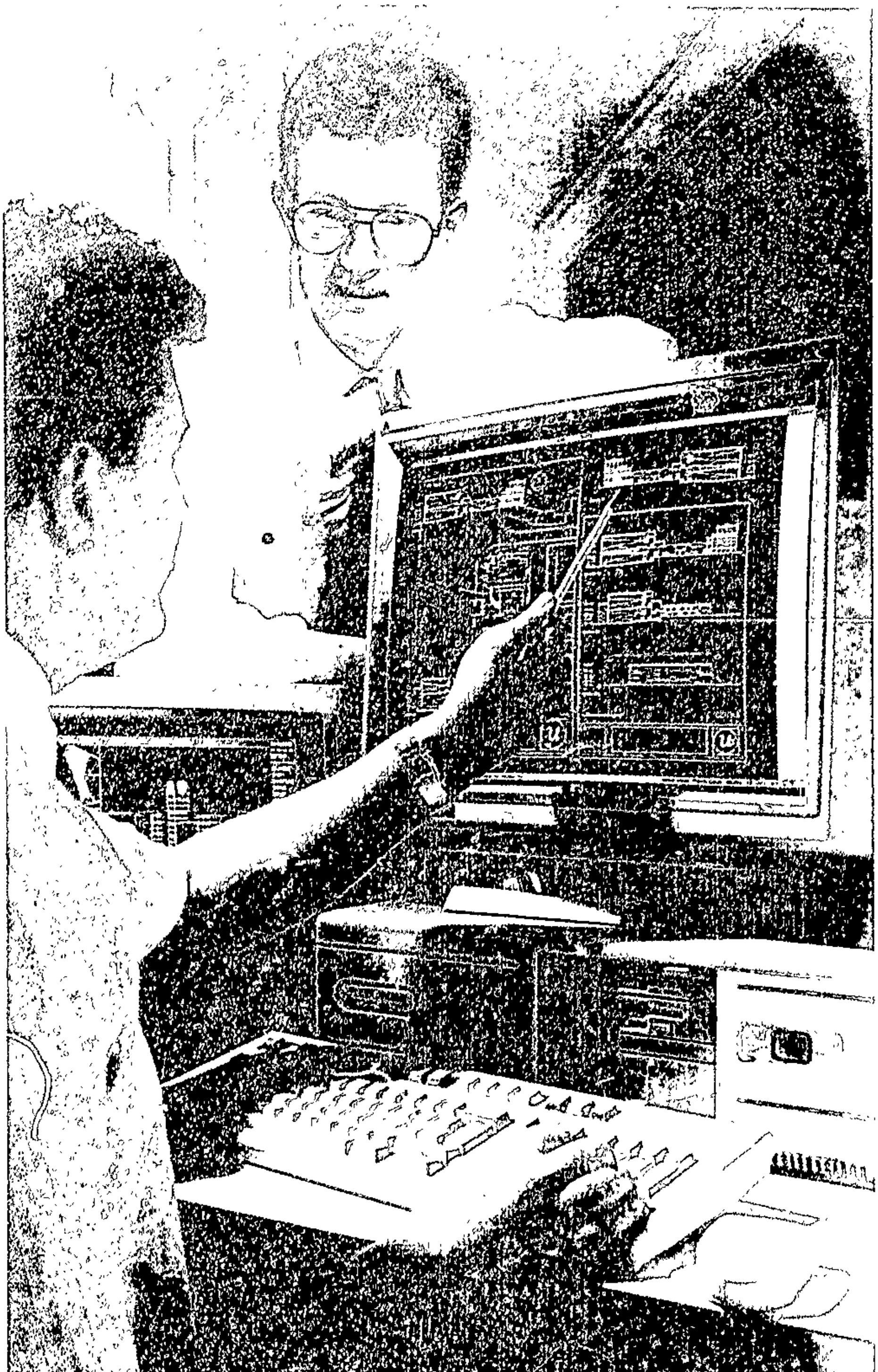
In UK terms, National Westminster Bancorp made a loss of US$322 million. Many areas of our US business suffered from the national economic downturn. We have implemented significant changes in our operations in this market. We have a strong customer base in the north-eastern regional market, and we believe this will be among the Regions first to benefit when the US economy recovers. However, our long-term presence will be conditional upon achieving a rate of return appropriate to our Group objectives.

International Private Banking continued to contribute positively to Group profits. Its operations have been significantly strengthened by the recent restructuring of most of NatWest's international and domestic private banking activities into one organisation under the world-renowned name, Coutts & Co.

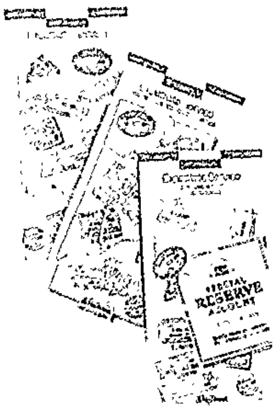
**Investment Banking** reported a loss of £49 million in 1990, after exceptional items of £5 million (1989 £16 million loss, after exceptional items of £50 million). Its businesses were affected by difficult markets across the board, particularly equities and venture capital, however, advisory, finance and investment management services maintained a consistent level of performance in less than favourable circumstances.

**Valuing the business** NatWest is taking positive steps now to produce a robust performance for our shareholders. As a Group, we are investing heavily in management information systems, which give us the tools to assess accurately the true cost and value of our businesses.

As a result, we are acting at every level in the organisation to ensure that all of our activities represent sound commercial practice. In some markets, we have exercised greater selectivity in determining the corporate names to whom we offer our products and services. We have also closed some offices and are reviewing the viability of others.



OVER 100,000
PEOPLE PUT THEIR
FIRST PAY INTO A
NATWEST ACCOUNT.
THIS YEAR, 70,000
OPTED FOR THE
NEW CARD PLUS
ACCOUNT.

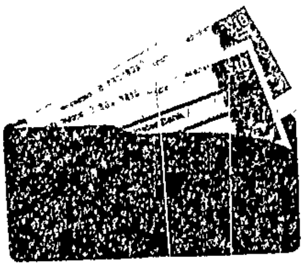


**The search for profit** At the [illegible] we [illegible] [illegible] banks to expand operations that [illegible] profitability and [illegible] those which do not. Because of the capital requirements that apply to our industry, a pound saved through cost cutting has significantly greater profitability implications than a pound earned on additional lending. So we are giving at least as much emphasis to our cost reduction programmes as we are to our marketing initiatives. We are particularly concerned to reduce overhead costs, and expect to realise £400 million in annual cost savings by 1993. That should, by itself, produce a five per cent improvement on our current cost-income ratio.

**Expanding income streams** We are striving to preserve and enhance the effectiveness of service to our existing customers. At the same time, we are working hard to control our costs more effectively, and we are developing well-defined strategies to make the most profitable use of our capital.

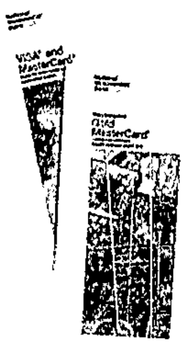
We are deliberately increasing our investment in some areas to expand existing income streams and establish new revenue sources that will maintain the Group's long term growth. This essential investment is, of course, being managed in the context of a much more demanding business, political and social environment.

In the United Kingdom, NatWest has moved actively in the past year to develop its strong customer relationships at both the retail and corporate level. On the electricity privatisation, in the first month of dealing, we captured an estimated 21 per cent market share, with over 40 per cent of this business coming from clients who had not previously enjoyed a relationship with NatWest.



Our 1990 Student Campaign was also particularly successful with NatWest winning 37 per cent of the total market, up from 31 per cent in 1989. NatWest was voted the best high street bank in the UK in the Mortgage Magazine's mortgage lenders and products category, polling three times as many votes as our nearest rival.

Corporate foreign exchange volumes were up 100 per cent in 1990 while, at the same time, we have strengthened our position as a leader in the Sterling money market. The Project Finance Unit of Corporate and Institutional Finance was ranked first as Arranger, with six deals totalling US$3.8 billion, in a survey in Euromoney magazine.



In Corporate and Institutional Banking, we have taken decisive measures to make our business leaner and more responsive to customer needs. We have concentrated our marketing effort and reduced staff numbers by bringing together employees directly responsible for individual customer relationships with those responsible for selling particular financial products and services.

In addition, we have analysed every part of CIB's business to eliminate unproductive operations and make more efficient use of capital. Significant improvements in productivity are expected, with more than £25 million in annual cost savings by 1993.

While every attempt will be made to redeploy staff whose positions disappear because of these measures, it is nevertheless likely that some cost savings will

09-03-91

A PERSONALLY

TAILORED SERVICE

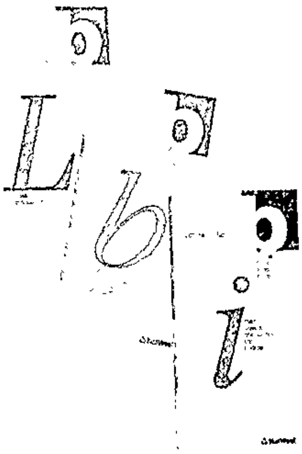
WHEREVER

CUSTOMERS LIVE

OR WORK

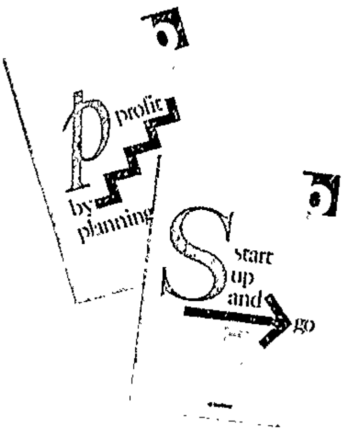
[illegible] ... the longer-term interests of our [illegible] and [illegible] employees.

At NatWest Investment Bank (NWIB), to help increase income, staff are forging closer working relationships with personnel in the Group's treasury and capital markets operations to build their competitive strength. Our equities business has also been restructured to focus on customer services and risk management products. NWIB is concentrating more of its research on fundamental analysis; its sales force has been strengthened, and it has established a function to provide customer liquidity, separate from proprietary position-taking. Steps have also been taken to reduce NWIB's cost-base.



**UK initiatives** Individual programmes to improve our cost/income ratio are being put in place in all business units and Group functions. In UK Branch Business, the pruning and streamlining work mentioned in the 1989 Annual Report and Accounts should produce £50 million in income enhancement and £150 million in annual cost savings by 199[illegible]. We are looking for an additional £250 million from the rest of the Group.

Throughout our UK branch network, cost control, productivity, and income will improve still further with the introduction of our Information Systems Service (ISS) during 1991 and 1992. By recording and compiling customer information on the basis of names rather than account numbers, ISS will reduce the Bank's paper flow and associated staff costs, while enhancing our marketing capability and improving customer service.



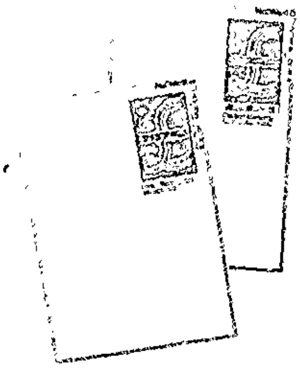

In addition, when ISS becomes fully operational, it will help us to capture additional fee income, and so increase total revenue. Over 1,000 branches are currently preparing the necessary data, and branches will begin to go live during 1991. All remaining branches are scheduled to be fully operational by the end of 1992.

The opening of our third data centre in Stone, Staffordshire, which began operating in January 1991, has significant immediate and long-term implications for our cost control strategy. With fewer than 25 people on the staff, Stone is already handling nearly half our processing work more cheaply and accurately than ever before.

We have also established a wholly-owned subsidiary, NatWest Estate Management and Development Ltd, to promote the cost-effective and profitable use of our £2.5 billion property portfolio. Major initiatives in the medium term include the redevelopment of some key City freeholds and the relocation of many Group and Head Office support functions to cheaper UK premises within and outside London.

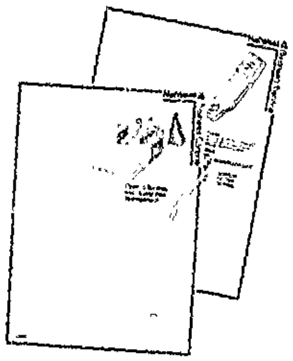
**International evolution** All of our international businesses are closely examining their cost structures as they search out new profit opportunities. In the United States, for example, we expect National Westminster Bancorp to realise US$30 million in annual cost savings from such measures as the merger of our data centres in New York and New Jersey.

As the world's largest national economy, the United States offers significant prospects for profit over the long term, but demands steadiness and commitment from those who choose to compete in its markets. We are therefore closely monitoring our US operations during their current difficulties.



I[illegible] important part of our growth strategy [illegible] International Business [illegible] developing [illegible] larger companies [illegible] small to medium-sized businesses in [illegible]. Our approach to investment in mainland Europe is based upon rigorous investigation of specific profit opportunities. We are interested in investments that offer appropriate returns, rather than a wider geographic dispersion or larger market shares for their own sake.

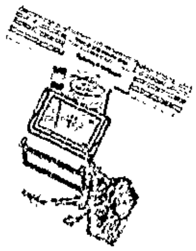
In 1990, for example, NatWest acquired majority control of Van Lanschot's Beleggings-Compagnie BV whose wholly owned subsidiary F van Lanschot Bankiers NV is the Netherlands' fifth largest bank by assets. This acquisition offers realistic prospects for increased profits and growth in the short to medium term.



**A major shift** In 1990, NatWest staffing numbers fell to 112,600 (1989 113,000), despite the full incorporation into the Group of 800 additional staff from our Netherlands acquisition, van Lanschot. In the UK, staff numbers fell from 96,000 in 1989 to 95,000.

With the greater emphasis on marketing and profits, there has been a major shift in staff numbers out of the back office and into the marketplace. For example, we are increasing the numbers in our dedicated sales forces, including Corporate Account Executives, Insurance Advisers, Personal Financial Planning Managers, Agricultural Advisers, and Personal Account Executives to serve our customers well - and to win the battle for new, profitable business against tough competition.

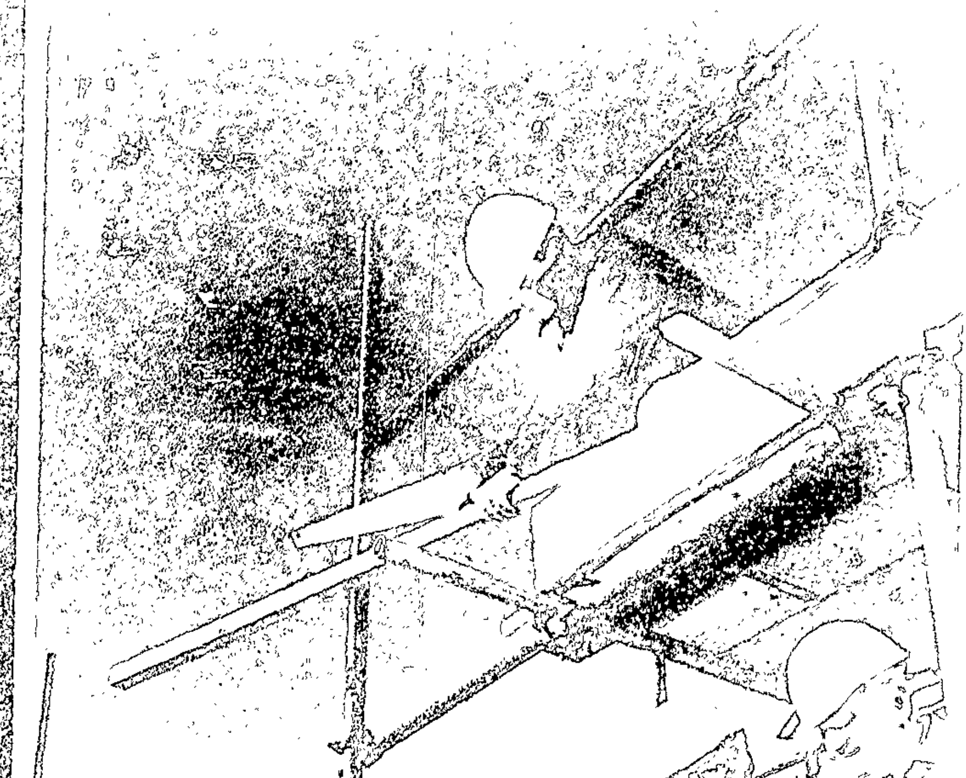
Group-wide, 7,900 new sales positions have been identified in 14 specific programmes. Because of our strong distribution network, customer base and product range, we are confident of our ability to win new business in the markets for savings, insurance and many other financial products and services.



**The quality imperative** Throughout the NatWest Group, our approach has been to cut costs only in those areas in which there would be a negligible impact on the quality of our service to our valued customers. In fact, in some cases, by reducing costs we have actually improved service. In 1990, we saved £26 million by implementing such practical streamlining measures as automating the transfer of direct debits and standing orders when accounts are moved between branches. This innovation also offered a higher level of service to our customers, by ensuring greater accuracy in the handling of such transactions.

We have also introduced more systematic lending control procedures. For example, using our capabilities in information technology, we are improving our procedures for assessing the creditworthiness of our customers to reduce lending costs and contain branch provisions. We have also introduced a screening process for new current account applications which will enhance the quality of our account base over the medium and long term.

We are constantly testing new ways to provide quality services to our customers. For instance, in our branch network, we have created several experimental Securities Centres and a Lending Centre to assess whether we can improve the quality of our service, cut costs and increase income by concentrating in a single location some of the [illegible] now provided in a number of branches.



Grand Met
adding value [illegible]

Unilever

BP

**Corporate responsibility** [illegible] going to become increasingly [illegible] It is [illegible] apparent that we will be judged not merely by our profitability, but by the quality of service we deliver to our customers, and the [illegible] we demonstrate in addressing issues of public concern.

A[illegible] the first bank in Britain to undertake a series of environmental audits, which are set for completion in 1992, we have taken a lea[illegible]ng position in our industry. These audits will cover every part of our Group's operations in the UK and overseas and investigate all aspects of our business activities: how we lend and to whom, how we use paper and energy; and much more. The result will be a decrease in wastage, duplication and inefficient practices throughout the Group.

**A performance culture** In these difficult times, NatWest's shareholders have a right, and indeed a responsibility, to inquire how the Group's management intends to ensure its future growth and prosperity. The answer is: by building a performance culture which constantly seeks the competitive edge in products, service and distribution. That means demanding the highest level of professionalism from people who are committed to, and rewarded for, achieving high customer satisfaction.

This will inevitably result in some dislocation, as the Group adjusts to the new competitive realities. While future employment patterns may not be as predictable as they have been, there will be increasingly interesting and progressive career avenues available at NatWest for motivated and capable individuals. Although we are reducing staff in unprofitable or inefficient areas of the Group, new job opportunities are rapidly emerging with our wider use of information technology and greater emphasis on product marketing.

**Product developments** In the savings and insurance sectors, NatWest's performance compares favourably with the competition. Last year, NatWest took in £2.9 billion in personal sector savings – helping us to fund more of our lending from retail deposits, rather than going to the more expensive wholesale markets.

Among our range of savings products, Crown Reserve account has now taken in £4.6 billion in its first 18 months. And our First Reserve account (for people saving small sums regularly) has been our most successful savings launch ever with more than 176,000 new accounts opened in the last four months of 1990.

Our TESSA Reserve account has been launched successfully, with more than 112,000 new accounts opened in the first month of the campaign, at an average balance of over £2,000. Many previous non-customers are opening accounts with NatWest.

**Vast potential** We are also looking for significant additional profits from insurance sales. Over the medium term, we will be building on the strong reputation which National Westminster Insurance Services (NWIS) has established, and the focused force of Insurance Advisers that it is deploying, to harness the vast potential of our nine million-strong personal and corporate customer base in the UK.

We are developing that potential on many fronts. In small business start-ups, for example – an area where we had a leading [illegible] per cent market share in 1990 – we have organised the account-opening [illegible] to ensure that every

IN THE HIGHLY

COMPLEX WORLD

OF PROJECT

FINANCE,

NATWEST'S

EXPERTS ARE

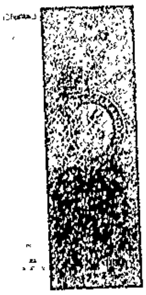
WIDELY

RECOGNISED AS

WORLD LEADERS.

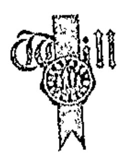
[illegible]

[illegible] helped to raise more than [illegible] premium income [illegible] for business related insurance directed to NWIS, from 25 [illegible]. By cross-selling insurance services, we are increasing the return on the capital invested in our several businesses.



**Balancing revenue sources** NatWest investors rightly want to see an attractive return on their money. As the profits and profitability from lending have come under pressure from high interest rates, tight margins and regulators' capital requirements, we have been striving to increase our non-interest income. Earning such income calls upon our capital resources to a much lesser extent than traditional lending.

Business operations providing non-interest income with notable success include insurance services, branch share dealing (the Touchscreen service), foreign exchange, and payment services.

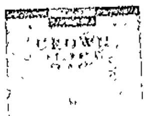


**Trading through technology** Payment Services are a major contributor to the Bank's bottomline. They add retailer fees to income and help to reduce costs by cutting back the volume of labour-intensive, paper-based payments. The NatWest product range stretches from credit and debit cards to electronic data interchange (EDI), where companies link each other's computer and communication systems to effect paperless trading.

In the personal sector, the market in payment cards has changed dramatically in the past few years. Two years ago, NatWest had no independent facility for marketing its payment-card services to retailers.

Today, we have a major share of this important market. In October 1990, we signed up the 100,000th retailer outlet for our Streamline triple card (Mastercard/Access, Visa and/or Switch) transaction-processing and collection service. That number will continue to grow, and we will be looking to increase our yield in this important and developing market.

Switch is a debit card scheme that effectively allows customers to draw electronic cheques on their current accounts to make retail purchases. Such transactions are cheaper for us to handle, easier for customers to use, and more convenient for retailers to process. More than 5 million NatWest Servicecard customers can now use Switch at more than 60,000 point of sale terminals, operated by most of Britain's top 200 retailers.



In the corporate sector, NatWest's new EDI product, Bankline Interchange, improves the whole process of handling and reconciling trade payments by carrying business data alongside the payment information. The operation and security of this new service make it unique in Europe. Bankline Interchange saves commercial customers money, and earns fee income for NatWest.

**A basis for confidence** NatWest remains one of the world's leading financial institutions. Our strengths are many: we have [illegible] ourselves of problem country debt, we have launched a strong cost-control programme, and we are closely managing our under-performing [illegible]. Moreover, we have a number of high-potential profit [illegible], a strong board of directors, and a highly capable [illegible]

IN 1990, OVER

100,000 PEOPLE

BEGAN THEIR

RETIREMENT

KNOWING THEIR

MONEY WAS WELL

INVESTED AND

SECURE WITH

NATWEST.

T[illegible] W[illegible] A[illegible] continued

[illegible] We [illegible] NatWest [illegible]

To meet the challenges of the Nineties, the NatWest Group has strengthened its management team with the appointment of [illegible] as Deputy Group Chief Executive, Derek Wanless as Chief Executive, UK Financial Services, Martin Gray as General Manager, UK Branch Business, and Bernard Horn as General Manager, Group Strategy and Communications.

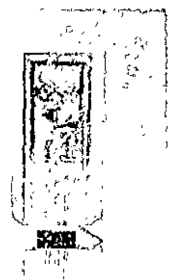
We have further strengthened our main Board with the appointment of Sir Ian MacLaurin, Chairman of Tesco, and Mr Martin Taylor, Vice-Chairman of Hanson, as non-executive Directors. They bring to NatWest a wealth of business experience in retailing and industrial management.

In addition, expertise in specialist areas has been recruited from outside the Group. Nicholas Wilson has joined us as Adviser to the Group, David Edmonds as General Manager, Property Management, and William Beaver as Director of Corporate Affairs. These developments reflect our policy of bringing new skills and abilities into the Group where they are needed to enhance our skills.

During the year, Sir Philip Wilkinson retired as a Director and Deputy Chairman. As a former Group Chief Executive, his wide experience and wise counsel of many years will be missed.

Sir Christopher Tugendhat resigned as a Director and Deputy Chairman with effect from 28 February 1991, with a view later this year to becoming Chairman of Abbey National. We wish him well on his new appointment.

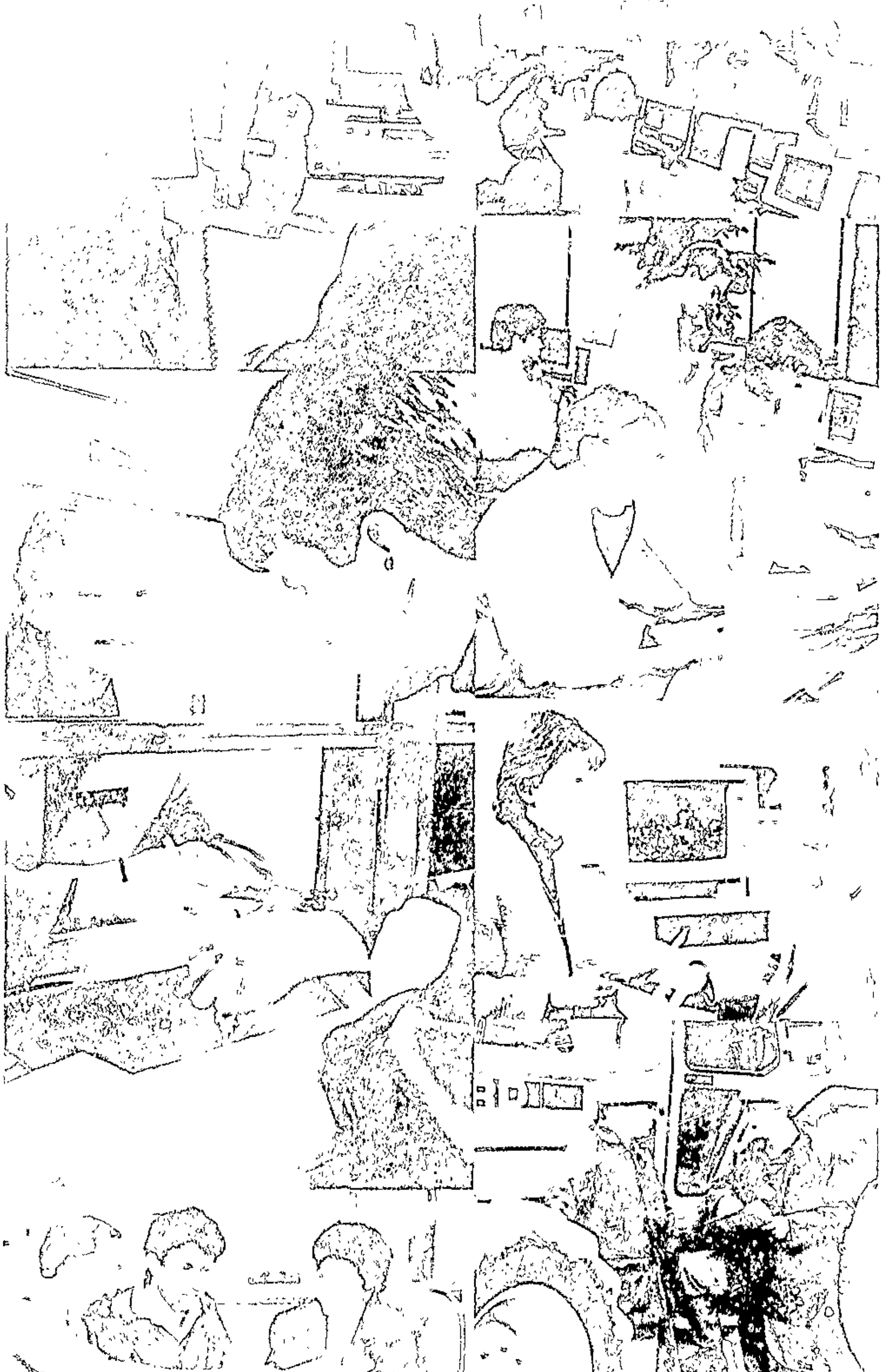
No one is anticipating that 1991 will be any easier for the banking industry or our customers. All our plans have been made in the expectation that we will have to continue to deal with a difficult situation. We have sought to illustrate in this Report to our shareholders, employees and customers that we are taking appropriate steps to preserve and enhance the strength of this Bank and the quality of the service we give.



Despite the difficult economic environment, NatWest Group staff around the world have worked hard and well in the interests of our shareholders and customers. On behalf of the Board, we would like to thank them most sincerely for their dedicated efforts throughout this challenging year.

Lord Alexander
Chairman

Thomas P Frost
Group Chief Executive



THIS YEAR, OVER

£60,000,000 WAS

SPENT TRAINING

NATWEST PEOPLE

TO PROVIDE THE

SERVICE OUR

CUSTOMERS

EXPECT.

## Chairman and Directors

**Chairman**

Lord Alexander of Weedon QC (54)
Appointed Chairman of the Bank in October 1989. A Director of The RTZ Corporation PLC and formerly Chairman of the Panel on Takeovers and Mergers.

**Deputy Chairmen**

* Sir Edwin Ronald Nixon CBE DL (65)
A Director of the Bank since 1975 and appointed a Deputy Chairman in 1987. Chairman of Amersham International PLC, a Director of Royal Insurance Holdings PLC and formerly Chairman of IBM United Kingdom Holdings Limited.

Sir Christopher Tugendhat (54)
A Director of the Bank since 1985 and appointed a Deputy Chairman in May 1990. Chairman of The Civil Aviation Authority and a Director of The BOC Group PLC, Commercial Union Assurance Company PLC and NatWest Investment Bank Limited.

**Directors**

# John Anthony Burns (55)
Appointed a Director of the Bank in January 1989. General Manager and Group Chief Financial Officer, Group Financial Control.

*+ The Hon Sir Richard Clive Butler DL (62)
Appointed a Director of the Bank in 1986. A farmer and formerly President of the National Farmers Union. Chairman of Agricola UK Limited and a Director of NatWest Investment Bank Limited.

* Denis Marsden Child CBE (64)
Appointed a Director of the Bank in 1982 and a former Deputy Group Chief Executive. Chairman of International Commodities Clearing House Limited, a Director of Eurotunnel PLC and a member of the Securities and Investment Board.

# Roger Flemington (58)
Appointed a Director of the Bank in 1988. Appointed Deputy Group Chief Executive in October 1990. Formerly Chief Executive, UK Financial Services.

# Thomas Pearson Frost (57)
Appointed a Director of the Bank in 1984. Group Chief Executive since 1987.

*+ Martin Richard Harris (68)
Appointed a Director of the Bank in 1977. A Director of the De La Rue Company PLC and NatWest Investment Bank Limited.

*+ Robin Arthur Elidyr Herbert JP DL (56)
Appointed a Director of the Bank in 1972. Chairman of the Western Regional Advisory Board, Leopold Joseph Holdings PLC and of The Union Discount Company of London plc. A Director of Marks & Spencer PLC.

* Sir Brian Smith Kellett (68)
Appointed a Director of the Bank in 1981. Chairman of the Port of London Authority and a Director of Unigate PLC and Lombard North Central PLC.

# John Howard Macdonald (62)
Appointed a Director of the Bank in January 1989. Chairman and Chief Executive, NatWest Investment Bank Limited and a Director of McDermott Inc.

Sir Ian MacLaurin (53)
Appointed a Director of the Bank in July 19[illegible]. Chairman of Tesco PLC, and a Director of Guinness PLC.

**Directors (continued)**

# John William Melbourn (53)
Appointed a Director of the Bank in January 1989. Chief Executive, Corporate & Institutional Banking.

# Albert Morris (56)
Appointed a Director of the Bank in January 1989. Chief Executive, Support Services.

Sir Antony Richard Pilkington (55)
Appointed a Director of the Bank in 1984. Chairman of Pilkington plc, a Director of GKN plc, Imperial Chemical Industries plc and NatWest Investment Bank Limited.

* Dr William George Henry Quigley CB (61)
Appointed a Director of the Bank in January 1990. Chairman of Ulster Bank Limited and a Director of Short Brothers PLC.

Martin Gibbeson Taylor (56)
Appointed a Director of the Bank in October 1990. A Vice-Chairman of Hanson PLC, a Director of Vickers PLC and a member of the CBI Council.

# John Tugwell (50)
Appointed a Director of the Bank in January 1989. Chief Executive, International Businesses.

The Rt Hon the Baroness Young PC (64)
Appointed a Director of the Bank in 1987. A Director of Marks & Spencer PLC and formerly Lord Privy Seal and Leader of the House of Lords.

# Executive Directors
* Members of the Audit and Compliance Committee
† Members of the Remuneration Committee

**Secretary of the Bank**

G J Povey

**UK Advisory Board**

Lord Alexander of Weedon QC (Chairman)

E W Barron (General Manager - Subsidiary & Associated Businesses)

Sir Hugh Cubitt CBE JP DL (Chairman of Lombard North Central PLC)

R Flemington (Deputy Group Chief Executive)

T P Frost (Group Chief Executive)

H M V Gray (General Manager - UK Branch Business)

R A E Herbert JP DL (Chairman - Western Regional Advisory Board)

C G Kenyon (Chairman - Northern Regional Advisory Board)

C A McLintock (Chairman - City and West End Regional Advisory Board)

D B Money-Coutts (Chairman - Southern Regional Advisory Board and Coutts & Co)

Dr W G H Quigley CB (Chairman of Ulster Bank Limited)

B St G A Reed CBE MC DL (Chairman - Eastern Regional Advisory Board)

W L B Stott (Chairman of Isle of Man Bank Limited)

D Wanless (Chief Executive - UK Financial Services)

The Hon Geoffrey H Wilson CVO (Chairman - West Midlands & Wales Regional Advisory Board)

## [illegible]

| | |
|---|---|
| Group Chief Executive | Thomas Pearson Frost (57) |
| Deputy Group Chief Executive | Roger Flemington (58) |
| Chief Executive<br>UK Financial Services | Derek Wanless (43) |
| General Manager<br>UK Branch Business | Hamish Martin Vincent Gray (44) |
| General Manager<br>Subsidiary & Associated Businesses | Edward William Barron (57) |
| Chief Executive<br>Corporate & Institutional Banking | John William Melbourn (53) |
| General Manager<br>Corporate & Institutional Finance | Roger William Byatt (50) |
| Group Treasurer & General Manager<br>Group Treasury & Capital Markets | Dr John Martin Owen (44) |
| Chief Executive<br>International Businesses | John Tugwell (50) |
| General Manager<br>European Businesses | Ian Ross Farnsworth (53) |
| Chief Executive<br>Support Services | Albert Morris (56) |
| General Manager<br>Information Technology | John Ridley Wallace (56) |
| General Manager<br>Property Management | David Albert Edmonds (46) |
| Chief Executive<br>NatWest Investment Bank Limited | John Howard Macdonald (62) |
| **Divisional General Managers** | |
| Group Financial Control<br>& Group Chief Financial Officer | John Anthony Burns (55) |
| Group Personnel | David John Duffield (58) |
| Group Strategy & Communications | Bernard Philip Horn (44) |

## Regional Advisory Boards

**City and West End**

1st Floor, 1-2 Moorgate, London EC2M 2AP
Chairman: G A McLintock
A H Cherry MBE, KaS Douglas-Mann, Mrs S R S Hamersham, J A Mowell,
A J Robarts, Sir Greville Spratt GBE TD JP DL, N K S Wills
Regional Executive Directors: City Region - M A Porter
London North East Region - E T Kirby,
London North West Region - G J H Burdett,
West End Region - A H Thomas

**Eastern**

Radford House, Radford Boulevard, Nottingham NG7 5QG
Chairman: B St G A Reed CBE MC DL
W N Adsetts OBE, R L Dodsworth DL,
Professor F R Hartley, T P Lambert, D S McCall CBE,
Mrs D J Parker CBE, R B Robinson OBE TD JP DL
Regional Executive Directors: East Anglia Region - R L G Williams,
East Midlands Region - G R Waine,
South East Midlands Region - G J Wise,
Yorkshire Region - J P Honeysett

**Northern**

P O Box 305, 55 King Street, Manchester M60 2DB
Chairman: C G Kenyon
C Allday CBE, E A Boddington JP, Mrs A Fishwick DL, C J B Hatton,
D H Pitcher, J V Ropner, B E Sealey CBE
Regional Executive Directors: Lancashire Region - K A McGavin,
Manchester Region - T G Adamson,
Merseyside Region - E McGonagle,
North Region - A Naylor,
Local Director Scottish Office - A S Duff

**Southern**

National Westminster House, 23-25 Cantelupe Road, East Grinstead,
West Sussex RH19 3BY
Chairman: D B Money-Coutts
G A Elliot, J Fowles OBE, Sir Brian Hill, R D C Hubbard, J Leigh Pemberton,
R H B Neame, Mrs A Newell, W K Roberts, C D Stewart-Smith
Regional Executive Directors: London South East Region - B J Hayman,
London South West Region - P S Behan,
South East Region - M I O Howells,
Thames Valley Region - D C Griffiths

**Western**

National Westminster House, Westbury Road, Redland, Bristol BS6 6XL
Chairman: R A E Herbert JP DL
Sir Alan Dalton CBE DL, The Lady Digby DL, W N Hood CBE,
Sir John Kingman FRS, Sir John Quicke CBE, Dr D Smith
Regional Executive Directors: Severnside Region - N Brockbank,
Solent and Channel Islands Region - S D Pilling,
South West Region - D B Maycock

**West Midlands & Wales**

PO Box 158, National Westminster House, 10 Newhall Street,
Birmingham B3 3EN
Chairman: The Hon Geoffrey H Wilson CVO
J E Bulmer, B K Fitton, E M W Griffith CBE DL, J E Jones CBE DL, M E Taylor
Regional Executive Directors: North Wales & Staffs Region - J Lee,
South Wales Region - D W Vaile,
West Midlands Region - K D Day

# Report of the Directors

The Directors have pleasure in presenting their report, together with the audited accounts for the year ended 31 December 1990

**Results for the Year**

The Group profit before taxation and extraordinary items was £504 million compared with £404 million for the previous year

The taxation charge for the year amounted to £202 million as against £161 million for 1989. After preference dividends of £0.7 million the Group profit attributable to the Ordinary Shareholders amounted to £370 million which has been dealt with as shown in the consolidated profit and loss account on page 43.

The final dividend for 1990 of 11.375p on each Ordinary Share, together with the interim dividend of 6.125p make a total distribution for the year of 17.5p per Ordinary Share. With the related tax credits at current rates this represents a gross distribution of 23.33p.

**Activities**

The Bank and its subsidiaries forming the National Westminster Bank Group provide an extensive range of banking and financial services, both domestic and international.

Investments in the principal associated and subsidiary undertakings together with the nature of the business of each undertaking, are set out on pages 54 and 55.

The Year in Review on pages 6 to 9 summarises the activities of the Group in 1990 and The Way Ahead on pages 10 to 21 provides particulars of important events since the end of the financial year and an indication of likely future developments.

**Purchase of Minority Holdings in Banco NatWest España SA**

On 16 May 1990 under the terms of existing option contracts, the Bank purchased from Messrs Alfredo Lafita and Enrique Piñel, two Directors of Banco NatWest España SA (formerly Banco NatWest March SA), their shareholdings in that company which comprised 1,622,585 shares (representing 5.7 per cent of the issued share capital of Banco NatWest España SA) The purchase price was Ptas 1,608 (eq £9.34) per share giving a total consideration of Ptas 2,609 million (eq £15.1 million) which was settled in cash on 2 January 1991 together with interest from 16 May 1990. A December 1989 sale agreement providing for the Bank to sell to Messrs Lafita and Piñel 1,145,287 shares in Banco NatWest España SA (4 per cent of the issued share capital) was not completed and was cancelled.

On 13 June 1990 National Westminster Bank PLC purchased from Banca March SA 2,863,216 shares in Banco NatWest España SA, representing 10 per cent of Banco NatWest España SA's issued share capital. The purchase price was Ptas 1,200 (eq £6.72) per share giving a total consideration of Ptas 3,436 million (eq £19.2 million) which was settled in cash.

**Sale of Investment in Yorkshire Bank PLC**

On 14 February 1990 the Bank sold its 40 per cent holding in Yorkshire Bank PLC to the National Australia Bank Group for a cash consideration of £389 million.

**Increase in Holding in Van Lanschot's Beleggings-Compagnie BV**

On 14 May 1990 the Bank completed the acquisition of a further 40.75 per cent holding in Van Lanschot's Beleggings-Compagnie BV increasing its shareholding to 80.75 per cent.

**Capital**

[illegible] Ordinary Shares were issued during the year to holders on the exercise of their options under the Bank's 1981 Savings-Related Share Option Scheme, at subscription prices of between 126p and 330p

During the year, under the terms of the Staff Profit Sharing Schemes, 1,233,015 Ordinary Shares were appropriated to 12,876 individual members of the Staff.

One option for 5,758 Ordinary Shares at 278p was exercised during the year under the Bank's Executive Share Option Scheme.

27,555,449 new Ordinary Shares were issued to holders of warrants which were exercised during the year, for a total consideration of £63,102,000. These warrants were issued in July 1985 in conjunction with the issue of Sw Fr 300 million 4.5 per cent Capital Bonds 1995 and enabled holders to subscribe not later than 26 July 1990 for new Ordinary Shares of £1 each at 459p per share, adjusted to 229p per share following the Capitalisation Issue on 16 June 1989.

Almost 29,000 shareholders elected to receive 2,274,885 Ordinary Shares in lieu of the 1989 final cash dividend and almost 27,000 shareholders elected to receive 1,120,098 Ordinary Shares instead of the 1990 interim cash dividend. Furthermore, by completing Scrip Dividend Mandates over 20,000 shareholders elected to receive Ordinary Shares in lieu of future dividends for which a share alternative is offered. Shareholders will have the opportunity to elect to receive Ordinary Shares in respect of the 1990 final dividend and details are being sent in a separate circular.

The effect of the transactions referred to above on the capital of the Bank is detailed in note 19 to the accounts on page 57.

On 31 October 1990 US$ 250 million Variable Rate Capital Notes 1996/2000 were issued by the Bank.

**Substantial Shareholdings**

As at 26 February 1991 the Bank had received notifications under Section 198 of the Companies Act 1985 (as amended) of the following shareholdings in excess of 3 per cent in the Ordinary Share Capital of the Bank:-

| Name of Shareholder | Number of Shares | Percentage of Total |
|---|---|---|
| Nutraco Nominees Limited | 56,087,107 | 3.47 |
| The Prudential Corporation plc | 51,021,440 | 3.16 |
| Schroder Investment Management Ltd and affiliated companies | 50,257,196 | 3.11 |

The above holdings are either held in a bare nominee capacity or in portfolios on a managed discretionary basis on behalf of numerous clients.

**Special Business**

In addition to the Ordinary Business to be transacted at the 1991 Annual General Meeting, a number of items of Special Business will be proposed. These items, further details of which, together with explanatory notes, will be found in the circular accompanying this report and accounts, are as follows:-

(a) A resolution authorising arrangements under which Ordinary Shareholders may elect to receive new Ordinary Shares instead of cash dividends in respect of the interim and final dividends for the year ending 31 December 1991.

**Special Business (continued)**

(b) A resolution renewing the power granted to the Directors in April 1990 to issue equity securities otherwise than for cash pro rata to Ordinary Shareholders.

(c) A resolution replacing the existing Article 126 of the Articles of Association thereby granting the Bank power to issue Summary Financial Statements in respect of the financial year ending 31 December 1991 and thereafter.

(d) A resolution amending the Memorandum and Articles of Association enabling the Bank to provide Directors' and Officers' personal liability insurance as permitted under Section 137 of the Companies Act 1989.

(e) A resolution amending the Articles of Association so that one-third (rather than one-fifth) of the Directors are subject to retirement by rotation each year.

(f) A resolution amending the Articles of Association to provide specifically for the appointment of Officers who are not Board Directors with the designation or title of 'Director'.

(g) A resolution amending the Articles of Association, to clarify the position regarding the delegation of powers to Board Committees.

**Directorate**

The members of the Board are as shown on pages 22 and 23.

Lord Boyne, Sir Hugh Cubitt, Mr C A McLintock, Mr D B Money-Coutts, Mr B St G A Reed, Sir Anthony Touche Bt and Sir Leslie Young, retired from the Board at the Annual General Meeting in April 1990.

Sir Philip Wilkinson retired as a Deputy Chairman and as a Director of the Bank on 30 June 1990.

Sir Ian MacLaurin and Mr M G Taylor were appointed non-executive Directors of the Bank on 1 July and 1 October 1990 respectively. As they have been appointed since the last Annual General Meeting, at the forthcoming Annual General Meeting they will offer themselves for re-appointment in accordance with Article 83 of the Articles of Association of the Bank.

The Directors retiring by rotation at the Annual General Meeting are Sir Richard Butler, Mr D M Child and Sir Antony Pilkington who will offer themselves for re-appointment at the forthcoming Annual General Meeting in accordance with Article 91 of the Articles of Association of the Bank.

**Directors' Interests**

The interests of the Directors in office at 31 December 1990 in the share capital and debentures of the Bank and its subsidiaries according to the Register maintained under Section 325 of the Companies Act 1985 are shown on pages 31 to 33. There were no changes in such Directors' interests between 31 December 1990 and 26 February 1991.

**Directors' Service Agreements**

None of the Directors who will be proposed for re-appointment at the forthcoming Annual General Meeting have service agreements.

**Contracts**

None of the Directors had a material interest at any time during the year in any contract of significance in relation to the Bank's business.

**Directors' and Officers' Liability Insurance**

Directors' and Officers' liability insurance is maintained for the benefit of the Bank and its Directors in connection with loan capital issues in the United States. The Directors currently bear their proportion of the cost of the policy.

**Employees**

The average number of persons employed in each week during the financial year by the Group (excluding persons who work wholly or mainly outside the United Kingdom) was 95,000 and the aggregate remuneration paid or payable to such employees was £1,345 million.

**Employee Participation**

The Bank has maintained and developed a wide range of methods for direct communication with Staff during 1990. Circulars and other information sheets, leaflets, videos, and the monthly house newspaper - Bankground - all played a part in this process.

Special editions of Bankground carried summaries of the annual and half-yearly results.

Personal Benefits Reports, which set out the benefits received as a result of working for the Bank, were issued to all Staff during the year.

The Bank continues to consult and negotiate on a regular basis with the NatWest Staff Association and the Banking, Insurance and Finance Union. In addition, Staff meetings, the Feedback scheme and the Staff Annual General Meeting all provide upward channels of communication through which issues may be raised.

The Staff Annual General Meeting is a particularly important milestone in the Bank's annual communication programme. In 1990, delegates were again able to learn about the Group's performance first-hand from Executive Management and discuss freely with them any matters of interest or concern. The major issues covered during the meeting were reported in a special edition of Bankground.

The Bank's Profit Sharing and Savings-Related Share Option Schemes remain highly popular, with over 31,000 Staff subscribing to the latter in 1990 alone.

1990 has seen the culmination of a series of changes to our remuneration package which commenced three years ago with a review of the Managerial structure.

This year, part of the reward of Assistant Managers has been geared to emphasise teamwork in support of the achievement of specific, key business objectives of their Branch or Department. Also the traditional flat rate Christmas Bonus paid to over 60,000 Unappointed Staff has been replaced by a Performance Related Merit Bonus Scheme.

The Bank is now well equipped to ensure that individual performance is recognised and rewarded on two levels. At the first level, total job performance is assessed through an annual appraisal of key competencies and rewarded by way of an increase to basic salary. At the second level, individuals can earn performance based bonuses through one of an integrated range of bonus schemes.

The Staff Suggestion Scheme again attracted a large number of ideas for improving systems, profitability and services.

Commitment to Quality Service remains undiminished. Throughout the Bank, Quality Service Action Teams continued to be active in identifying and addressing areas requiring improvement

**Employment of Disabled Persons**

As an equal opportunities employer, it is the Bank's policy to give full and fair consideration to every application for employment from disabled persons. All

**Employment of Disabled Persons (continued)**

applications are examined for ability and aptitude in relation to available vacancies. Staff who become disabled are, wherever practicable, provided with appropriate adaptations or equipment so that they may continue with their existing work. If this is not possible, training or special facilities are arranged to enable the Staff member to take on a new role within the Group.

The Manager with special responsibility for disabled Staff will continue to draw on all available expertise to ensure that the Bank's positive policies are implemented fully and effectively.

**Premises**

The market value of the Group's properties has been reassessed by the Bank's professional valuation staff and it is estimated that, overall, there is a deficit of some £130 million below book value as at the end of 1990. The Directors regard this deficit as temporary reflecting the short-term downturn in the economy, and do not consider a write-down in book value to be appropriate.

**Contributions**

During the year the Group made donations aggregating £1,905,099 to United Kingdom charitable organisations. No political contributions were made by the Group during the year.

**Close Company Provisions**

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Bank and there has been no change in this respect.

**Auditors**

KPMG Peat Marwick McLintock and Ernst & Young (or their predecessor firms) have acted as joint Auditors of the Bank since 1969, having previously acted for the constituent banks.

During 1990, the Directors reviewed the Group audit arrangements and concluded that the interests of the Bank and the Group would best be served by appointing KPMG Peat Marwick McLintock as sole Auditors. Accordingly a resolution appointing KPMG Peat Marwick McLintock as sole Auditors of the Bank for the year ending 31 December 1991 will be proposed at the Annual General Meeting which will also authorise the Directors to fix their remuneration (Special Notice having been received).

Ernst & Young have confirmed that there are no matters concerned with their retirement as joint auditors which should be brought to the attention of the shareholders and have indicated their willingness not to seek re-appointment at the forthcoming Annual General Meeting.

The Directors would like to place on record their appreciation of the services rendered to the Bank by Ernst & Young over many years.

By Order of the Board

G J Povey

Secretary of the Bank

41 Lothbury, London EC2P 2BP

26 February 1991

# DIRECTORS' INTERESTS

**Ordinary Shares of £1 each**

| | As at 1 January 1990 or at the date of appointment if later | As at 31 December 1990 |
|---|---|---|
| | Beneficial | Beneficial |
| Lord Alexander | 10,000 | 10,528 |
| Sir Edwin Nixon | 6,000 | 6,000 |
| Sir Christopher Tugendhat | 2,000 | 3,125 |
| J A Burns | 14,538 | 17,946 |
| Sir Richard Butler | 6,232 | 8,046 |
| D M Child | 8,912 | 12,016 |
| R Flemington | 5,312 | 8,269 |
| T P Frost | 7,495 | 14,822 |
| M R Harris | 16,253 | 17,111 |
| R A E Herbert | 3,600 | 3,600 |
| Sir Brian Kellett | 6,290 | 6,621 |
| J H Macdonald | — | — |
| Sir Ian MacLaurin | — | 2,500 |
| J W Melbourn | 1,122 | 3,284 |
| A Morris | 2,539 | 2,672 |
| Sir Antony Pilkington | 3,872 | 2,105 |
| Dr W G H Quigley | — | 3,800 |
| M G Taylor | — | 2,000 |
| J Tugwell | 10,475 | 10,546 |
| Baroness Young | 3,000 | 3,000 |

Under the terms of the National Westminster Bank PLC Group 1979 Profit Sharing Share Scheme Ordinary Shares of £1 each in the Bank as indicated below were held by the Trustees of the Scheme for the following Directors:

| | As at 1 January 1990 | As at 31 December 1990 |
|---|---|---|
| J A Burns | 5,904 | 5,282 |
| D M Child | 7,582 | 4,478 |
| R Flemington | 9,574 | 8,460 |
| T P Frost | 10,524 | 7,956 |
| J W Melbourn | 3,802 | 3,802 |
| J Tugwell | 1,376 | 1,376 |

## DIRECTORS' INTERESTS continued

The following Directors hold options, which were granted under the Bank's [illegible] Savings Related Share Option Scheme, to subscribe for the number of Ordinary Shares of £1 each shown after their respective names.

| | As at 1 January 1990 | As at 31 December 1990 | Exercise price per share (pence) |
|---|---|---|---|
| J A Burns | 2,162 | — | 171.00 |
| | 642 | 642 | 230.50 |
| | 1,038 | 1,038 | 242.50 |
| | — | 1,645 | 196.00 |
| R Flemington | 2,968 | 2,968 | 242.50 |
| T P Frost | 3,808 | — | 126.00 |
| | 1,908 | 1,908 | 230.50 |
| | — | 1,645 | 196.00 |
| J W Melbourn | 2,162 | — | 171.00 |
| | 1,484 | 1,484 | 242.50 |
| | — | 1,645 | 196.00 |
| A Morris | 2,968 | 2,968 | 242.50 |
| | — | 918 | 196.00 |
| J Tugwell | 1,332 | 1,332 | 330.00 |
| | 1,730 | 1,730 | 242.50 |
| | — | 1,102 | 196.00 |

The following Directors hold options, which were granted under the Bank's 1986 Executive Share Option Scheme, to subscribe for the number of Ordinary Shares of £1 each shown after their respective names.

| | As at 1 January 1990 | As at 31 December 1990 | Exercise price per share (pence) |
|---|---|---|---|
| Lord Alexander | — | 66,964 | 308.00 |
| J A Burns | 36,646 | 36,646 | 352.00 |
| | 27,727 | 27,727 | 330.00 |
| R Flemington | 40,482 | 40,482 | 352.00 |
| | 33,636 | 33,636 | 330.00 |
| T P Frost | 63,920 | 63,920 | 352.00 |
| | 50,000 | 50,000 | 330.00 |
| J W Melbourn | 36,220 | 36,220 | 352.00 |
| | 30,000 | 30,000 | 330.00 |
| A Morris | 37,500 | 37,500 | 352.00 |
| | 31,136 | 31,136 | 330.00 |
| J Tugwell | 36,220 | 36,220 | 352.00 |
| | 30,000 | 30,000 | 330.00 |

Mr R Pennington, Mr M R Harris and Sir Christopher Tugendhat as Trustees of the National Westminster Bank PLC Group 1979 Profit Sharing Share Scheme, had a non beneficial interest in 13,723,620 Ordinary Shares of £1 each as at 1 January 1990 and in 12,836,707 such shares as at 31 December 1990

**Holders of Ordinary Shares**

Analysis of Shareholders of National Westminster Bank PLC as at 31 December 1990

| Class of Shareholder | Number of Shareholders | Percentage of total Shareholders | Number of Shares Held | Percentage of Issued Shares Held |
|---|---|---|---|---|
| Men | 44,299 | 34.50 | 86,339,855 | 5.35 |
| Women | 49,558 | 38.59 | 104,957,119 | 6.50 |
| Joint Accounts (Individuals) | 12,026 | 9.37 | 30,008,268 | 1.86 |
| Insurance Companies | 695 | 0.54 | 220,623,176 | 13.67 |
| Nominee Companies | 8,205 | 6.39 | 894,083,930 | 55.38 |
| Pension Funds | 114 | 0.08 | 99,513,700 | 6.16 |
| Universities, Schools & other Corporate Bodies | 593 | 0.46 | 39,188,450 | 2.43 |
| Other Limited Companies | 889 | 0.69 | 42,338,934 | 2.62 |
| Banks (including Bank Trust Companies) | 12,042 | 9.38 | 97,457,667 | 6.03 |
| TOTALS | 128,421 | 100.00 | 1,614,511,099 | 100.00 |

| Shareholding Range | Number of Shareholders | Percentage of total Shareholders | Number of Shares Held | Percentage of Issued Shares Held |
|---|---|---|---|---|
| 1 - 100 | 11,314 | 8.81 | 337,929 | 0.02 |
| 101 - 250 | 6,535 | 5.09 | 1,172,063 | 0.07 |
| 251 - 500 | 13,239 | 10.32 | 5,176,740 | 0.32 |
| 501 - 1,000 | 25,179 | 19.60 | 19,340,443 | 1.20 |
| 1,001 - 5,000 | 58,101 | 45.24 | 132,516,992 | 8.21 |
| 5,001 - 10,000 | 8,828 | 6.87 | 60,916,777 | 3.77 |
| 10,001 - 25,000 | 3,082 | 2.40 | 44,868,257 | 2.78 |
| 25,001 - 50,000 | 671 | 0.53 | 24,107,398 | 1.49 |
| 50,001 and above | 1,472 | 1.14 | 1,326,074,500 | 82.14 |
| TOTALS | 128,421 | 100.00 | 1,614,511,099 | 100.00 |

Group profit before taxation for the year ended 31 December 1990 was £504m an increase of £100m compared with 1989.

**Profit and Loss - Business Sector**

| Contributions to Group profit before taxation | 1990 £m | 1989 £m |
|---|---|---|
| UK Financial Services | 591 | 948 |
| Corporate and Institutional Banking | 219 | (485) |
| International Businesses | (257) | (43) |
| Investment Banking* | (49) | (16) |
| Group profit before taxation | 504 | 404 |

* After exceptional charge of £5m in 1990 and £50m in 1989 (see page 48)

**UK Financial Services** (UKFS) comprises those businesses of the Bank and subsidiaries servicing the core UK operations.

In 1990, UKFS contributed £591m to Group pre-tax profits compared with £948m in 1989. The decline reflects the general downturn in the UK economy during 1990. Sustained high interest rates and depressed property prices resulted in sharply increased provisions for commercial and personal debt. The charge for bad and doubtful debts increased from £323m in 1989 to £695m in 1990. The personal and small business sectors were hardest hit, with the mid-corporate sector increasingly being affected as the economic recession deepened during the second half of 1990; the effects were most particularly felt in London and the South East. UK Branch Business, which is the prime contributor to UKFS profits, increased its contribution before provisions for bad and doubtful debts with commission income increasing strongly.

In 1990 personal savings grew by some 30% and 1991 has begun with the successful launch of the TESSA Reserve Account. More than 112,000 accounts with balances in excess of £246m were opened in the first month. The UK branch network also gained the largest share of UK students and small business accounts and leads the market with 30% of small business start-up accounts.

Cost containment continues to have a high priority, although sensible investment has not been delayed where it will generate savings in the future. During 1990, the UK branch network has been reduced by nearly 100 branches (60 in 1989). Despite the additional workloads generated by the growth in small business account relationships and marketing successes, branch staff numbers were reduced by over 2,200 during the year. There are firm plans in place to reduce jobs further through a combination of more efficient work practices and the introduction of new technology.

National Westminster Insurance Services contributed £97m profit in the 15 months to 31 December 1990 compared with £44m for the 12 months to 30 September 1989. This increase reflects the Bank's growing success as the UK's leading independent intermediary and the number of Insurance Advisers will be increased from 330 to around 1,000 during 1991 to maximise the returns from this important area of the business. The success of the Bank's insurance operations in recent years has been encouraging. The Bank is continuing with its independent stance but will keep its position under review in the light of market developments.

Ulster Bank's pre-tax profit fell from £52m in 1989 to £36m, after restructuring costs of £8m. The decline in performance before these additional costs was due to bad and doubtful debt provisions.

Lombard North Central experienced a difficult year with reported profits falling from £87m to £33m, due primarily to high interest rates, squeezed margins and the impact of an increased charge for bad and doubtful debts. However, significant cost reduction measures have been adopted and an improved return from this subsidiary is expected in 1991.

Despite a subdued housing market, the mortgage book of National Westminster Home Loans increased by £0.6bn to £7.9bn at the end of 1990 and the company remains one of the top ten mortgage lenders. The narrowing of margins resulted in a fall in profits from £21m to £7m. The level of profitability reflects internal funding costs at market related rates (LIBOR). In line with market conditions repossessions increased from 81 in 1989 to 344 representing over 0.18% of mortgage customers. Over 40% of repossessions were voluntary.

**Corporate and Institutional Banking** (CIB) serves the needs of major corporate clients and provides Treasury services in the UK and around the world.

CIB's contribution to Group pre-tax profits for 1990 was £219m compared with a loss of £485m in 1989. The continued reduction of the Problem Country Debt (PCD) portfolio has given rise to a release of specific provisions of £56m (1989 £783m charge) in CIB.

During the year, there has been good growth in income in the core businesses, in Corporate and Institutional Finance (CIF) revenues from the general corporate banking and specialist finance areas have improved and in Group Treasury and Capital Markets (GT&CM) the money market and foreign exchange activities again performed very strongly. Balance sheet assets were held flat by CIF and there was modest growth in GT&CM in line with planned performance.

The 1990 results were affected by higher than normal corporate bad-debt charges and reflect the continuing recessionary influences on the economy. The charge for commercial bad debts was £110m (1989 £26m), including £25m general provision raised against the uncertain economic background.

Anticipating a continuation of difficult trading conditions, CIB embarked upon a detailed review of its cost base to enhance its efficiency and profitability. As part of this review, CIB merged its CIF and Corporate Banking business units in September 1990 to focus more precisely its services to major corporate customers. Approximately 150 job savings have been identified towards an anticipated reduction of 300 jobs in the sector. CIB is also looking closely (in conjunction with the other business sectors) at its international representation to find more efficient ways of conducting its offshore operations.

CIB continues to build on its skills in structured and corporate finance where it already enjoys market leadership in a number of areas and has further enhanced its capabilities in GT&CM.

**International Businesses** (IB) consists of the Group's overseas retail operations in the United States (US), Europe and Australia, together with its worldwide international private banking activities. IB reported a loss of £257m in 1990 compared with a loss of £43m in 1989.

National Westminster Bancorp Inc. (Bancorp) in the US incurred a pre-tax loss of £167m. During 1990, the regional economy in the New York and New Jersey market went into recession. The increase of £427m in Bancorp's domestic non-performing assets to £686m reflects the impact of this recession, especially in the local property market. The need to increase provisions, in response to declining collateral values, meant that a charge for bad and doubtful debts of £326m (1989 £262m) was required. During 1990, Bancorp reduced its PCD outstandings to only £7m from £297m at the end of 1989.

Bancorp's net interest income grew by 4% in dollar terms over the 1989 level, with growth in loans and retail deposits and the inclusion of Ultra Bancorporation (Ultra) being offset by the cost of carrying non-performing assets and a narrowing of spreads. Non-interest income was down 11% which was due to a lower level of gains from investment sales and the impact of the sale of a mutual-funds processing business in 1989. Operating expenses increased by 6% reflecting the inclusion for the full year of Ultra and the costs of an early retirement programme in 1990.

A number of programmes are in hand to re-establish Bancorp's earning ability. Substantial cost savings have already been achieved through the rationalisation of operating functions within Bancorp group, including the merger, at the end of September 1990, between First National Bank of Central Jersey and National Westminster Bank NJ. A continuing wide ranging set of cost efficiency projects are under way which are planned to have a significant and cumulative impact on Bancorp's cost structure. These may include moving certain operations out of New York City. On the income side, Bancorp is continuing to develop its core savings, consumer, small business and mid-corporate product range.

European Businesses consists of branches, subsidiaries and associated undertakings in eight countries on Continental Europe. During 1990, a controlling interest in Van Lanschot's Beleggings-Compagnie BV in The Netherlands was purchased, increasing the shareholding from 40% to 80.75%. In Spain, the shareholding in Banco NatWest España SA (formerly Banco [illegible] increased from 33.[illegible] to 39.4[illegible] [illegible] building [illegible] developing the target [illegible] segments which are vital to the Group's success in Europe.

Market conditions remain difficult in several countries. Businesses have refocused their strategies and streamlined their operations.

International Private Banking (IPB), which provides financial services for high net worth individuals worldwide, showed an improved performance in 1990 compared with 1989. Strong growth in net interest income and a successful cost containment programme counteracted a decline in commission income. The Group's IPB activities have been operating under different identities; from April 1991, all will be reorganised under the Coutts' name which will simplify marketing, reduce costs and enhance the profile of all activities in this expanding market.

NatWest Australia Bank Limited has been adversely affected by the recession in Australia resulting in a loss of £37m in 1990, compared with a profit of £2m in 1989. A new Chief Executive has been appointed and other senior executives have been recruited locally to strengthen the management team. During 1990, operations were rationalised and selected expansion made into new areas of private banking and migration services. A return to an acceptable level of profitability will obviously be affected by the rate of recovery of the Australian economy.

**Investment Banking** All NatWest Investment Bank (NWIB) businesses were affected by the severe deterioration both in world stock markets and the UK economy; the uncertainty caused by the Gulf situation exacerbated the position in the latter part of the year. A loss of £49m (1989 £16m loss) was reported for the year including the costs of rationalising operations in Tokyo, and a provision of £5m (1989 £50m) in connection with the Blue Arrow PLC rights issue. Results for 1989 benefitted by £25m from the sale of an investment in National Freight Corporation.

The venture capital business has suffered from depressed market conditions in 1990 with realisations delayed and provisions significantly increased.

Corporate Finance Division was affected by the general downturn in its market and the results reflected the lower number of completed merger and acquisition transactions, whilst Financial Division lending benefitted from market opportunities and recorded a 20% rise in fee income.

Equities results mirrored the volatility and uncertainty in markets worldwide. Despite this, trading income and market share have both improved, particularly in the UK as a result of a strategy review carried out in the early part of 1990. In Japan, stock market volumes halved, leading to a downscaling of operations in Tokyo. In the US, the recruitment of Drexel's equity securities personnel increased the cost base but enhanced NWIB's reputation and doubled its market share in domestic US securities.

**Profit and Loss - by Group Company**

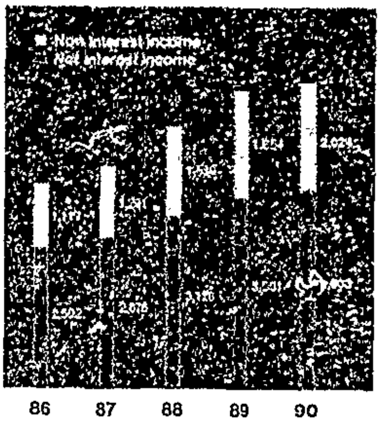
| Group profit before taxation | Notes | 1990 £m | 1989 £m |
|---|---|---|---|
| The Bank, less dividends from subsidiary and associated undertakings | (a) | 468 | 63 |
| National Westminster Bancorp Inc | | (107) | (40) |
| National Westminster Insurance Services Limited | (b) | 97 | 44 |
| NatWest Investment Bank Group | | (49) | (16) |
| NatWest Australia Bank Limited | | (37) | 2 |
| Ulster Bank Limited | | 36 | 62 |
| Lombard North Central PLC | | 33 | 87 |
| NatWest International Trust Holdings Limited | | 30 | 25 |
| Coutts & Co | | 19 | 21 |
| Banco NatWest España SA | (c) | 18 | 14 |
| Isle of Man Bank Limited | | 14 | 20 |
| National Westminster Home Loans Limited | | 7 | 21 |
| Other [illegible] | | 13 | 10 |
| As[illegible] | | | |
| 3i Group plc | | 11 | 40 |
| Yorkshire Bank PLC | (d) | — | 45 |
| Others | | 11 | 16 |
| Group profit before taxation | | 504 | 4[illegible]4 |

(a) Includes the results of International Westminster Bank PLC which was merged with the Bank during 1989.
(b) Fifteen month period in 1990.
(c) Nine month period in 1989.
(d) The Bank completed the sale of its [illegible] Bank PLC on 14 February 1990.

[illegible] R[illegible] continued

**Total Income** [illegible]

[illegible] years due mainly to the [illegible] UK and the [illegible] eastern states of the US




**Net Interest Income** Net interest income rose in 1990 by £102m (3%) to £2,603m.

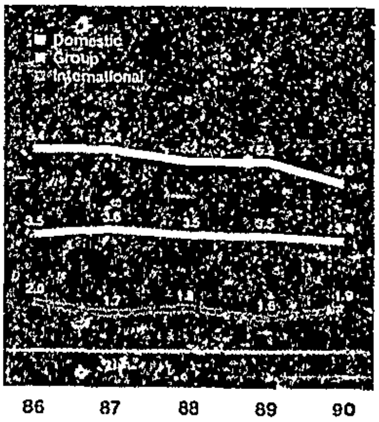
In the domestic market, high market interest rates reduced the demand for loans, especially towards the year end. The domestic net interest margin has also been reduced primarily due to competition for retail deposits and an increase in non-performing assets.

Interest spread is the difference between the rate earned on average interest earning assets and the rate paid on average interest bearing liabilities. In the domestic market where competition for deposits is intense, high interest earning accounts have attracted new deposits. Although this has reduced the need for wholesale funds it has nevertheless adversely affected domestic spreads.

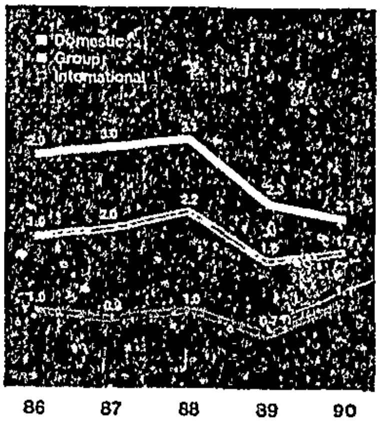
International business is generally conducted in wholesale markets. Traditionally spreads have been low due to intense competition from banks worldwide. However, there has been an easing of competition during 1990 as overseas banks have had to restrain their balance sheet growth to stay within the internationally accepted standards on bank capital. This factor has led to pricing benefits which coupled with a more selective approach to lending has resulted in an improvement in international spreads.

The Group aims to structure the balance sheet to minimise the impact of interest rate changes on net interest income and this has resulted in Group net interest margins (net interest income as a percentage of average interest-earning assets) remaining largely unchanged at 3.4%.

Net Interest Margin %




Interest Spread %



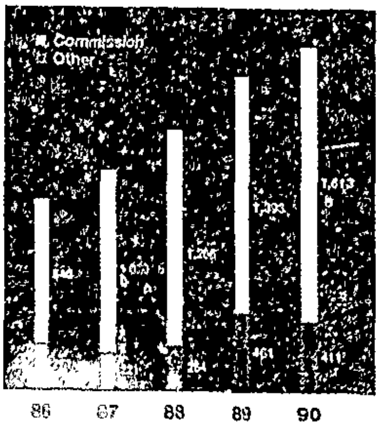

**Non-Interest Income** Non-interest income rose 9% to £2,024m in 1990 despite the downturn in economic activity in the Group's major markets.

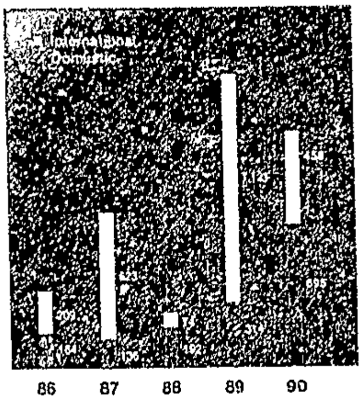
Commission income, the main component of non-interest income, rose by 16% to £1,613m in 1990. Although lending opportunities have been restricted during the year by the economic environment, greater emphasis on collection of fees and higher transmission tariffs have generated increased income.

Foreign exchange income was £130m in 1990, compared with £162m in 1989 which included £35m translation differences arising from the funding of certain overseas subsidiaries in sterling.

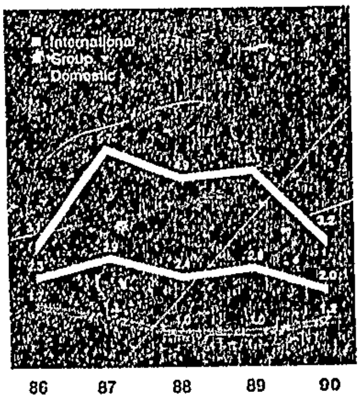
Other sources of income benefitted through the continuing growth in the business of National Westminster Insurance Services. This growth was particularly strong in personal loan protector and life assurance policies.

Non-Interest Income £m

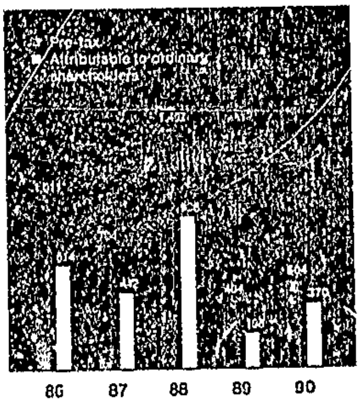





CUMULATIVE PROVISIONS AS % OF LENDING




PROFITS £M




**Operating costs** The Group's operating [illegible] for 1990 rose by [illegible] to £3,087m. Staff costs, which represent the principal element, increased by 9% to £2,[illegible]62m, due primarily to pay awards. The Group has incurred substantial restructuring costs through early retirement and redundancy programmes. Staff numbers for the Group overall fell by 4[illegible] over the previous year end, despite including 800 staff from Van Lansch[illegible]t's Beleggings-Compagnie BV (which became a subsidiary during the year).

Prem[illegible]es and equipment costs are up 15% to £703m from £609m in 1989. The charge for depreciation has increased by £34m to £253m following substantial investment in information technology over the last two years. This investment will enable the Group to improve efficiency and its service to customers.

Other costs have risen by 16% to £922m. This category includes a variety of costs which have increased due to inflationary pressures and in order to service expansion in the Group's activities.

**Bad and doubtful debts** The charge for commercial and personal bad debts was £1,237m, an increase of £792m over the 1989 figure and was as a direct result of general economic conditions in the UK, north-eastern states of the US and Australia.

The specific charge for domestic bad and doubtful debts has increased from £320m in 1989 to £655m in 1990. In the UK the Group is a market leader in providing finance to small businesses, a profitable sector which, nonetheless, has been severely affected by the economic situation. However, during the second half of the year, difficulties emerged in the mid corporate sector as well and together with lower collateral values from the depressed property market, these led to the need for increased provisions.

The specific charge against international commercial and personal bad and doubtful debts increased to £464m in 1990 from £126m in 1989. The 1990 figure includes £313m (1989 £90m) for National Westminster Bancorp in response to declining collateral values linked to the recession which has taken hold in the north-eastern states of the US.

At the end of 1989 the provisionable exposure to problem-country debt (PCD) stood at £1,640m with total provisions of £1,237m. Primarily as a result of debt sales, but also in part due to depreciation of the US dollar against sterling, provisionable exposure to problem countries has been reduced to £538m and provisions now stand at £348m. Unprovided exposure before tax relief now represents only 3% of shareholders' equity.

At the end of 1990, the total cumulative provisions for bad and doubtful debts amounted to 2.0% of gross lending compared to 2.6% in 1989. This decline is due mainly to sales of relatively higher-provided PCD assets.

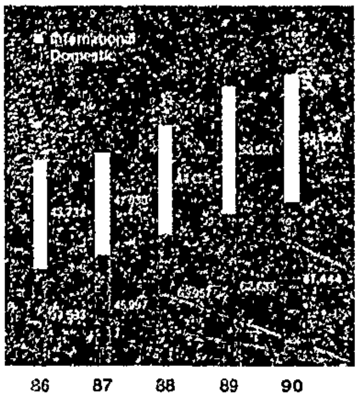
**Profits** Group profit before tax in 1990 was £504m, an increase of 25% over the previous year. Whereas the 1989 profits were adversely affected by PCD provisions, the 1990 figures were depressed by provisions for commercial and personal bad debts. Group pre-tax profit before all bad debt provisions and exceptional items was £1,662m which is down 12% on 1989. This is largely due to the effect on the Group of the depressed economic climate, which has affected the major economies in which the Group operates, in particular, the UK and the north-eastern states of the US.

Despite the high tax charge of 58% in 1990 (1989 [illegible]%), profit attributable to ordinary shareholders increased from £198m to [illegible] due to the revaluation surplus realised on the sale of the investment in Y[illegible] Bank PLC.

## Balance Sheet

**Assets** Total assets were £121.1bn at the end of 1990 (1989 £116.2bn) and include £2.4bn of assets in Van Lanschot's Beleggings-Compagnie BV. Balance sheet growth was offset by movements in exchange rates.

Total Assets £m

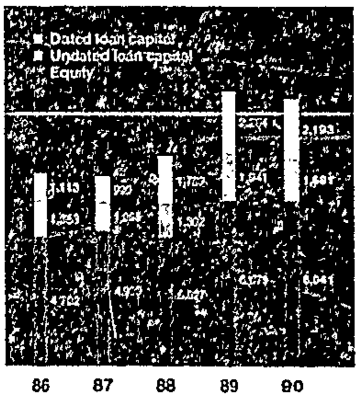



**Capital resources** Ordinary shareholders' equity decreased by £40m to £5,894m in 1990. This reflects retentions of £86m and the effect of the issue of shares on the exercise of warrants, in lieu of dividends and to staff under Profit Sharing and Share Option Schemes. All of these increases were more than offset by the reduction of £163m in the revaluation reserve realised on sale of Yorkshire Bank PLC and £32m goodwill written off on acquisitions (primarily Banco NatWest España SA in Spain and Van Lanschot's Beleggings-Compagnie BV in The Netherlands).

The Group issued US$250m variable rate loan notes during the year but depreciation of the US dollar resulted in a net fall in Group loan capital, in sterling terms, of £351m to £3,874m.

The Group aims to maintain a relationship between currency denominated loan stock and currency assets which leaves its total capital ratios broadly neutral to exchange rate movements.

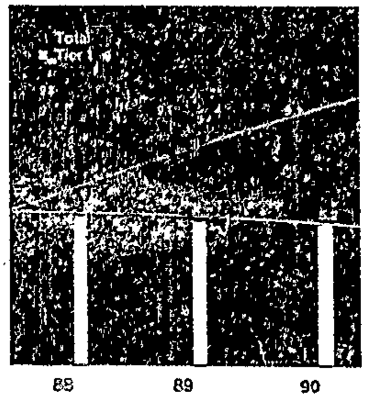
Capital Resources £m

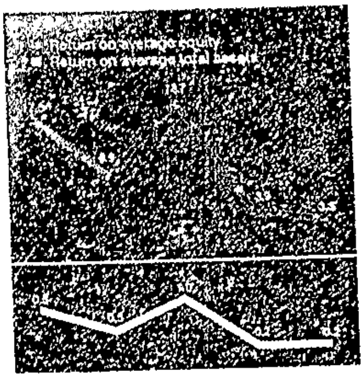



**Capital ratios** The Bank of England has published a framework of capital measurements and standards, based upon an agreement by the Group of Ten Central Banks in 1988, which relates Tier 1 capital (mainly equity) and total capital to total assets (weighted for risk).

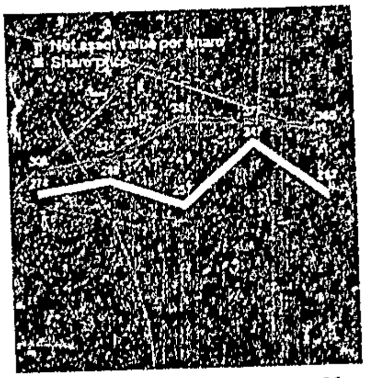
Although the Tier 1 ratio has fallen slightly, the total capital ratio has been maintained, despite a fall in shareholders' equity, by the control of risk weighted assets. Both ratios are comfortably above internationally agreed minimum standards.

Capital Ratios %






**Performance measures** [illegible]




**Net asset value and share price** [illegible] has impacted [illegible] 1989. The [illegible] of the U.S. [illegible]


**Dividend** It remains the Bank's policy to achieve real growth in dividends over the medium to long term whilst ensuring adequate retentions to support future business growth. In recent years substantial real increases have been paid. However, in a period of severe economic downturn and uncertainty, it is appropriate to exercise caution with dividend payments reflecting trading performance and outlook together with capital adequacy requirements.

The dividend cover reflects the high tax charge for 1990. Although the profit before tax is 25% higher than in 1989, the high tax charge of 58% (1989 40%) has resulted in the profit after tax for 1990 being [illegible]% lower than 1989. The high charge is due mainly to losses overseas, principally in the US, for which no relief is currently available and disallowable provisions for bad and doubtful debts.

# Consolidated Five Year Financial Summary

| | 1990 £m | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| Group profit before charge for bad and doubtful debts and exceptional items | 1,662 | 1,889 | 1,673 | 1,463 | 1,384 |
| Charge for bad and doubtful debts | 1,153 | 1,435 | 266 | 759 | 373 |
| Group profit before taxation | 504 | 404 | 1 407 | 704 | 1,011 |
| Taxation | 292 | 161 | 463 | 269 | 390 |
| Group profit attributable to ordinary shareholders of the Bank | 370 | 198 | 938 | 442 | 614 |
| Retentions for the year | 86 | (65) | 720 | 261 | 462 |
| Ordinary shareholders' equity | 5,894 | 5,924 | 5,923 | 4,883 | 4,617 |
| Undated loan capital | 1,651 | 1,341 | 1,302 | 1,068 | 1,353 |
| Dated loan capital | 2,193 | 2,284 | 1,789 | 990 | 1,112 |
| Current, deposit and other accounts | 106,332 | 101,251 | 84,981 | 76,354 | 72,761 |
| Advances and other accounts | 94,279 | 89,627 | 74,398 | 63,128 | 59,358 |
| Total assets | 121,700 | 116,189 | 98,642 | 87,027 | 83,325 |
| | pence | pence | pence | pence | pence |
| Per ordinary share | | | | | |
| Dividends - net | 17.5 | 16 7 | 14.125 | 12.0 | 10 25 |
| Earnings | 13 | 15 | 62 | 29 | 47 |
| Net asset value | 365 | 377 | 381 | 324 | 309 |
| Dividend cover (times)* | 0.7 | 0 9 | 4 3 | 2.4 | 4.0 |
| | % | % | % | % | % |
| Return on shareholders' average equity - post-tax | 3.5 | 3 9 | 18.7 | 8.9 | 17.0 |
| Return on average total assets - pre-tax | 0.4 | 0 4 | 1.4 | 0.8 | 1.3 |
| - post-tax | 0.2 | 0 2 | 1 0 | 0 5 | 0.8 |

Comparative figures have been restated to reflect the bonus issue in June 1989 and changes in accounting policies

* Dividend cover is calculated by dividing Group profit after taxation and before extraordinary items by the total ordinary dividends (disregarding elections for shares in lieu of cash dividends)

# Report of the Auditors

To the Members of National Westminster Bank PLC

We have audited the accounts on pages 43 to 61 in accordance with Auditing Standards.

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

**Ernst & Young**
**Chartered Accountants**

**KPMG Peat Marwick McLintock**
**Chartered Accountants**

**London 26 February 1991**

## Consolidated Profit and Loss Account

For the year ended 31 December 1990

### Group profit and appropriation

| | Notes | 1990 £m | 1989 £m |
|---|---|---|---|
| Group profit before charge for bad and doubtful debts and exceptional items | | 1,662 | 1,889 |
| Charge/(release) for bad and doubtful debts | | | |
| -commercial and personal | | 1,237 | 445 |
| -problem countries | | (84) | 990 |
| | | 1,153 | 1,435 |
| Group profit before exceptional items | | 509 | 454 |
| Exceptional items | 3 | (5) | (50) |
| Group profit before taxation | 2 | 504 | 404 |
| Taxation | 7 | 292 | 161 |
| | | 212 | 243 |
| Minority interests | | 4 | 9 |
| Preference dividends of the Bank | 10 | 1 | 1 |
| | | 5 | 10 |
| Group profit after taxation and before extraordinary items | | 207 | 233 |
| Extraordinary items | 8 | 163 | (35) |
| Group profit attributable to ordinary shareholders of the Bank | 9 | 370 | 198 |
| Ordinary dividends | 10 | | |
| -interim | | 100 | 84 |
| -final | | 184 | 179 |
| | | 284 | 263 |
| Retentions for the year | 20 | 86 | (65) |

### Per ordinary share

| | Notes | 1990 | 1989 |
|---|---|---|---|
| Dividends | 10 | 17.5p | 16.7p |
| Earnings | 11 | 13p | 15p |

# Consolidated Balance Sheet of National Westminster Bank Group

At 31 December 1990

**Assets employed**

| | Notes | 1990 £m | 1989 £m |
|---|---|---|---|
| Coin, bank notes and balances with the Bank of England and with State banks abroad | | 1,600 | 1,683 |
| Items in course of collection on other banks | | 1,620 | 1,690 |
| Money at call and short notice | | 10,755 | 10,493 |
| Bills discounted | | 2,367 | 3,146 |
| Dealing assets | 12 | 1,275 | 939 |
| Certificates of deposit | | 1,784 | 980 |
| Investments | 13 | 3,821 | 3,75[illegible] |
| Advances and other accounts | 14 | 94,279 | 89,6[illegible] |
| Investments in associated undertakings | 16 | 237 | 638 |
| Premises and equipment | 18 | 3,362 | 3,203 |
| | | 121,100 | 116,189 |

**Financed by**

| | Notes | 1990 £m | 1989 £m |
|---|---|---|---|
| Ordinary shareholders' funds: | | | |
| Ordinary share capital | 19 | 1,615 | 1,576 |
| Reserves | 20 | 4,279 | 4,358 |
| | | 5,894 | 5,934 |
| Preference share capital | 19 | 14 | 14 |
| Minority interests | | 133 | 131 |
| Undated loan capital | 21 | 1,681 | 1,941 |
| Dated loan capital | 21 | 2,193 | 2,284 |
| Deferred taxation | 22 | 741 | 695 |
| Current, deposit and other accounts | 24 | 106,332 | 101,251 |
| Other liabilities | 25 | 4,112 | 3,939 |
| | | 121,100 | 116,189 |

These accounts were approved by the Board of Directors on 26 February 1991.

Robert Alexander Chairman Alexander of Weedon

T P Frost Group Chief Executive

J A Burns Group Chief Financial Officer John Burns

# Balance Sheet of National Westminster Bank PLC

At 31 December 1990

**Assets employed**

| | Note | 1990 £m | 1989 £m |
|---|---|---|---|
| Coin, bank notes and balances with the Bank of England and with State banks abroad | | 1,005 | [illegible] |
| Items in course of collection on other banks | | 1,187 | [illegible] |
| Money at call and short notice | | 7,527 | [illegible] |
| Bills discounted | | 1,727 | 2,401 |
| Dealing assets | 12 | 406 | 248 |
| Certificates of deposit | | 1,206 | 799 |
| Investments | 13 | 439 | 390 |
| Advances and other accounts | 14 | 54,990 | 52,763 |
| Amounts due from subsidiary undertakings | | 15,962 | 12,628 |
| Investments in associated undertakings | 16 | 60 | 481 |
| Investments in subsidiary undertakings | 17 | 2,683 | 2,578 |
| Premises and equipment | 18 | 2,504 | 2,254 |
| | | 89,696 | 84,620 |

**Financed by**

| | Note | 1990 £m | 1989 £m |
|---|---|---|---|
| Ordinary shareholders' funds: | | | |
| Ordinary share capital | 19 | 1,615 | 1,576 |
| Reserves | 20 | 3,363 | 3,235 |
| | | 4,978 | 4,811 |
| Preference share capital | 19 | 14 | 14 |
| Undated loan capital | 21 | 1,681 | 1,941 |
| Dated loan capital | 21 | 1,733 | 2,164 |
| Amounts due to subsidiary undertakings | 23 | 6,079 | 4,860 |
| Current, deposit and other accounts | 24 | 74,158 | 70,038 |
| Other liabilities | 25 | 1,048 | 792 |
| | | 89,696 | 84,620 |

These accounts were approved by the Board of Directors on 26 February 1991

Robert Alexander Chairman *Alexander of Weedon*

T P Frost Group Chief Executive *D.P.D.*

J A Burns Group Chief Financial Officer *John Burns*

# Consolidated Statement of Source and Application of Funds

For the year ended 31 December 1990

| | | 1990 £m | 1990 £m | 1989 £m | 1989 £m |
|---|---|---|---|---|---|
| **Source of funds** | Group profit before taxation (page 43) | | 504 | | 404 |
| | Items not involving the movement of funds: | | | | |
| | Depreciation | 253 | | 219 | |
| | (Profits)/Losses before taxation retained by associated undertakings | (9) | | 31 | |
| | Extraordinary items before taxation | — | | (38) | |
| | Exchange rate translation differences | (19) | | (6) | |
| | | | 225 | | 206 |
| | Funds generated by operations | | 729 | | 610 |
| | *Funds from other sources:* | | | | |
| | Net increase in loan capital | — | | 1,128 | |
| | Disposal of premises and equipment | 136 | | 70 | |
| | Net proceeds of share issues | 77 | | 32 | |
| | Increase in minority interests | — | | 42 | |
| | Decrease in associated undertakings | 428 | | 44 | |
| | | | 641 | | 1,316 |
| | | | 1,370 | | 1,926 |
| **Application of funds** | Additions to premises and equipment | 548 | | 637 | |
| | Net decrease in loan capital | 351 | | — | |
| | Taxation paid | 203 | | 426 | |
| | Goodwill purchased | 32 | | 141 | |
| | Dividends paid | 269 | | 219 | |
| | Additions to associated undertakings | 30 | | 135 | |
| | Decrease in minority interests | 2 | | — | |
| | | | 1,435 | | 1,558 |
| | | | (65) | | 368 |
| **Represented by** | Increase in advances and other accounts | | 4,852 | | 15,229 |
| | Increase in liquid assets* | | 501 | | 1,689 |
| | (Increase) in creditors and accrued expenses | | (137) | | (280) |
| | (Increase) in current, deposit and other accounts | | (5,081) | | (16,270) |
| | | | (65) | | 368 |

*Liquid assets comprise coin, bank notes and balances with the Bank of England and Central banks abroad, items in course of collection, money at call and short notice, bills discounted, trading assets, certificates of deposit and investments

| Summary of the effect of acquisitions of subsidiary undertakings | Fair value at date of acquisition 1990 £m | Fair value at date of acquisition 1989 £m |
|---|---|---|
| Premises and equipment | 30 | 100 |
| Advances and other accounts | 2,042 | 1,276 |
| Liquid and short-term assets | 316 | [illegible] |
| Total assets | 2,388 | [illegible] |
| Deposits and other accounts | 2,270 | [illegible] |
| Other liabilities | 43 | 184 |
| Total liabilities | 2,313 | [illegible] |
| Net assets | 75 | [illegible] |
| Minority interests | (14) | (26) |
| Share of assets already owned | (30) | (60) |
| Goodwill (written off against reserves) | 20 | 141 |
| Cash paid for shares | 51 | 277 |

During 1990 a controlling interest in Van L[illegible]-Compagnie BV previously an associated undertaking was acquired and accounted for using the acquisition method of accounting. The only adjustment to book value was a £7m reduction in advances and other accounts representing additional doubtful debt provisions.

1 **Principal accounting policies**

**(i) Accounting convention**
[illegible] have been prepared under the [illegible] modified by the revaluation of freehold properties and in compliance with Part VII Chapter II of the Companies Act 1985 and in accordance with applicable Statements of Standard Accounting Practice.

**(ii) Basis of consolidation**
In order to avoid undue delay in the presentation of the Group's accounts, the accounts of certain subsidiary undertakings have been made up to 30 September or 30 November. National Westminster Bank of Canada's accounts have been made up to 31 October to comply with local legislation, the accounts of certain securities businesses in the United Kingdom are made up to The International Stock Exchange, London, end-of-account date immediately preceding 31 December. Details of principal subsidiary undertakings are given in note 17.

**(iii) Goodwill**
The excess of the cost of shares in subsidiary and associated undertakings over the fair value of underlying separable net assets at the date of acquisition is deducted from the Group's reserves in the year of acquisition.
Other purchased goodwill is similarly written off against reserves in the year of acquisition.

**(iv) Provision for bad and doubtful debts**
Provision for bad and doubtful debts is made as considered necessary having regard to both specific and general factors. The general element arises in relation to existing losses which, although not separately identified, are known from experience to be present in any portfolio of bank advances. Provision made (less amounts released) during the year is charged against profits (note 15). Advances are written down to estimated realisable value when the normal banking relationship with the borrower has ceased. Generally, interest on advances up to that time is credited to profit and loss account and provision made as appropriate.

**(v) Investments in subsidiary and associated undertakings**
The Group's investments in associated undertakings are included in the consolidated balance sheet at the Group's share of net tangible assets. The Bank's interests in subsidiary and associated undertakings are stated at cost less provision for any permanent diminution in value.

**(vi) Other investments**
Dated investments are stated at cost adjusted for the amortisation of premiums or discounts on a straight-line basis over the period to maturity; investment income includes the amortisation of premiums or discounts. Undated investments are stated at the lower of cost and valuation.
Dealing assets are stated at market value.

**(vii) Foreign currencies**
Assets and liabilities, and the results of overseas subsidiary and associated undertakings in foreign currencies have been translated to sterling at rates current on 31 December. Exchange differences arising from retranslation of opening net assets of overseas subsidiary and associated undertakings have been taken to reserves together with exchange differences arising on retranslating related foreign-currency borrowings.

**(viii) Deferred taxation**
Tax deferred or accelerated by timing differences is accounted for to the extent that it is probable that a liability or asset will arise. It is calculated at rates expected to be applicable when the liabilities or assets are expected to crystallise.

**(ix) Finance lease and operating lease assets**
The amounts receivable under finance leases and operating lease assets are included with other amounts receivable under 'Advances and other accounts'. Income from finance leases (including regional development grants grossed up to reflect their tax-free nature) and instalment credit agreements is credited to profit and loss account in proportion to the funds invested.
Income from operating lease assets is credited to profit and loss account on a straight-line basis over the period of the contract.

## 1 Principal accounting policies (continued)

**(x) Depreciation**

[illegible] in the form of [illegible] to assess the lives of these properties and [illegible] values are such that depreciation is not significant. [illegible] these properties are not depreciated.

Depreciation of other fixed assets is provided on a straight line basis over estimated useful lives generally as follows:

| | |
|---|---|
| Leases of less than 50 years unexpired | Unexpired periods |
| Computers | 5 years |
| Motor vehicles | 5 years |
| Other plant and equipment (including fixed plant in buildings) | 10-15 years |

**(xi) Pensions**

The pension cost relating to UK schemes is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives. The cost of certain overseas schemes is calculated in accordance with local law and best practice.

## 2 Profit before taxation

| | 1990 The Group £m | 1990 The Bank £m | 1989 The Group £m | 1989 The Bank £m |
|---|---|---|---|---|
| **Income** | | | | |
| Interest income | 14,347 | 10,906 | 12,824 | 8,689 |
| less: Interest expense | 10,744 | 8,653 | 9,323 | 6,572 |
| *Net interest income* | 3,603 | 2,253 | 3,501 | 2,117 |
| Commission | 1,613 | 1,177 | 1,393 | 929 |
| Foreign exchange | 130 | 94 | 162 | 113 |
| Other income | 261 | 51 | 299 | 160 |
| ***Total income*** | 5,627 | 3,575 | 5,355 | 3,319 |
| ***Expenditure*** | | | | |
| Operating costs: | | | | |
| - personnel costs | 2,362 | 1,475 | 2,166 | 1,355 |
| - premises and equipment | 703 | 474 | 609 | 396 |
| - other expenditure | 922 | 555 | 792 | 444 |
| | 3,987 | 2,504 | 3,567 | 2,195 |
| Bad and doubtful debts: | | | | |
| -specific | 1,035 | 540 | 1,446 | 517 |
| -general | 118 | 50 | (11) | (8) |
| | 1,153 | 590 | 1,435 | 509 |
| **Total expenditure** | 5,140 | 3,094 | 5,002 | 2,704 |
| **Trading surplus** | 487 | 481 | 353 | 615 |
| **Exceptional items** | (5) | | (60) | |
| **Share of associated *undertakings' results*** | 22 | | 101 | |
| **Group profit before taxation** | 504 | | 404 | |

The trading surplus for the Bank excludes dividends from subsidiary undertakings.

## 3 Exceptional items

| | 1990 £m | 1989 £m |
|---|---|---|
| Provisions relating to civil claims and costs arising from Blue Arrow PLC rights issue | (5) | (60) |

**4 Group profit before taxation**

| | 1990 £m | |
|---|---|---|
| **(a) Income:** | | |
| (i) Aggregate amounts receivable, including capital repayments, under | | |
| finance leases, hire purchase and | | |
| conditional sale contracts | 3,336 | 2,940 |
| operating leases | 413 | 291 |
| (ii) Income from investments and dealing assets | | |
| - listed | 120 | 103 |
| - unlisted | 238 | 236 |
| | 358 | 339 |
| Profits less losses in the year on | | |
| - dealing assets | 58 | 54 |
| - investments | (7) | 43 |
| | 409 | 436 |

Dividends from associated undertakings amounting to £13m (1989 £132m) are not included above.

| | | |
|---|---|---|
| **(b) Charges:** | | |
| (i) Interest on loan capital | | |
| - repayable in more than five years or undated | 336 | 311 |
| - repayable in less than five years | 41 | 48 |
| | 377 | 359 |
| (ii) Depreciation and amortisation | | |
| - fixed plant in buildings | 47 | 35 |
| - computers and other equipment | 206 | 184 |
| | 253 | 219 |
| (iii) Hire of computers and equipment | 43 | 44 |
| (iv) Rents | | |
| - payable | 128 | 122 |
| - receivable less outgoings | (28) | (30) |
| | 100 | 92 |
| | £000 | £000 |
| (v) Auditors' remuneration | 4,116 | 4,568 |

(vi) Staff profit sharing schemes

Under the terms of the Staff Profit-Sharing Schemes, provided that Group profit before taxation and profit-sharing amounts to at least £100m, a payment totalling £3m plus 5% of the excess over £100m will be made for distribution to the staff of the Group: the allocation for 1990 amounts to £24m (1989 £19m).

**5 Emoluments of directors**

| | 1990 £000 | 1989 £000 |
|---|---|---|
| Directors' fees for main board membership | 165 | 211 |
| Other emoluments, including pension contributions | 3,287 | 3,154 |
| Pensions for former directors or dependants | 208 | 192 |
| Superannuation gratuities to former directors | 133 | 46 |
| Compensation for loss of office as executive directors of the Bank | — | 505 |
| | 3,793 | 4,108 |

## 5 Emoluments of Directors (continued)

[illegible] pension and a further sum of [illegible] was paid in respect of [illegible] pension arrangements, making a total of [illegible]. During 1990 Lord Boardman received £231,725 and Lord Alexander £[illegible] for their respective periods as Chairman.

The total remuneration and benefits of the highest paid director, Mr J H Macdonald, were £497,612 (1989 £309,819).

The following table shows the number of directors of the Bank in the United Kingdom receiving emoluments within the bands stated.

| Emoluments £ | Directors 1990 | Directors 1989 | Emoluments £ | Directors 1990 | Directors 1989 |
|---|---|---|---|---|---|
| Up to 5,000 | 1 | 1 | 115,001 - 120,000 | 1 | — |
| 5,001 - 10,000 | 4 | — | 135,001 - 140,000 | — | 1 |
| 10,001 - 15,000 | 3 | 1 | 165,001 - 170,000 | — | 1 |
| 15,001 - 20,000 | — | 2 | 175,001 - 180,000 | — | 1 |
| 20,001 - 25,000 | 1 | 3 | 180,001 - 185,000 | — | 1 |
| 25,001 - 30,000 | 2 | 4 | 190,001 - 195,000 | — | 1 |
| 30,001 - 35,000 | — | 5 | 195,001 - 200,000 | 1 | — |
| 35,001 - 40,000 | 1 | — | 200,001 - 205,000 | — | 1 |
| 40,001 - 45,000 | 2 | 1 | 205,001 - 210,000 | — | 1 |
| 45,001 - 50,000 | 1 | — | 230,001 - 235,000 | — | 1 |
| 55,001 - 60,000 | 1 | — | 260,001 - 265,000 | 2 | — |
| 60,001 - 65,000 | 1 | — | 270,001 - 275,000 | 1 | — |
| 70,001 - 75,000 | 1 | — | 295,001 - 300,000 | 1 | 1 |
| 80,001 - 85,000 | 1 | — | 305,001 - 310,000 | — | 1 |
| 90,001 - 95,000 | — | 1 | 320,001 - 325,000 | 1 | — |
| 105,001 - 110,000 | — | 2 | 345,001 - 350,000 | 1 | — |
| 110,001 - 115,000 | — | 2 | 495,001 - 500,000 | 1 | — |

## 6 Pension costs

The Group operates a number of pension schemes throughout the world. The major schemes, which cover 95% of the Group's employees, are defined-benefit-schemes and their assets are held in trust funds separate from the Group. The total pension cost for the Group was £212m (1989 £201m). The pension cost relating to the UK schemes is assessed in accordance with the advice of qualified actuaries. £13m (1989 £12m) of the total pension cost relates to foreign schemes (of which £3m (1989 £5m) has been determined in accordance with best practice and regulations in the United States).

At the date of the latest formal review of the major UK schemes, which was as at 31 March 1990, the market value of their assets was £4,334m and the actuarial value of the assets was sufficient to cover 104% of the future benefits that had accrued to members after allowing for expected increases in earnings. The valuation was carried out using the projected unit method, on the basis that adjustment is made to the ongoing contribution rate, over a period approximating to the average future service life of members of the schemes in respect of any imbalance between assets and liabilities. The assumptions, determined in consultation with the actuaries, which have the most significant effect on the results of the valuation are those relating to the period of return on new investments and the rates of increase in salaries, pensions and dividends. It has been assumed, for both 1990 and 1989, that the real rate of return on new investments, relative to price inflation of 6%, will be 4% per annum, that the real rate of increase in future earnings will be 2% per annum, that pensions increases will be equal to approximately 90% of the rate of price inflation and that, in the long term, dividend growth will be 0.5% per annum less than price inflation.

**7 Taxation**

| | 1990 £m | 1989 £m |
|---|---|---|
| The Bank and subsidiary undertakings | | |
| United Kingdom corporation tax at 35% | 105 | [illegible] |
| Relief for overseas taxation | (4) | [illegible] |
| | 101 | 97 |
| Tax credit on franked investment income | 19 | 14 |
| Deferred taxation | 129 | (33) |
| Overseas taxes | 31 | 45 |
| | 280 | 122 |
| Share of associated undertakings' taxation | 12 | 39 |
| | 292 | 161 |

The tax charge for the year at 58% (1989 40%) is significantly higher than the UK corporation tax rate of 35%, mainly because of losses arising overseas, principally in the US, for which no relief is currently available, and disallowable provisions for bad and doubtful debts.

**8 Extraordinary Items**

| | 1990 £m | 1989 £m |
|---|---|---|
| Surplus on disposal of investment in Yorkshire Bank PLC, after tax of £87m | 163 | — |
| Loss on discontinuance of primary dealership in New York, after tax credit of £3m | — | (6) |
| Provisions in respect of trade investments | — | (29) |
| | 163 | (35) |

**9 Group profit dealt with in the accounts of the Bank**

After charging the preference dividends of the Bank, £552m (1989 £405m) of the Group profit attributable to ordinary shareholders has been dealt with in the accounts of the Bank. As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Bank has not been presented separately.

**10 Dividends**

| | 1990 pence per share | 1990 £m | 1989 pence per share | 1989 £m |
|---|---|---|---|---|
| 7% (now 4.9% + tax credit) cumulative preference shares: | | | | |
| For the half-year to 30 June (paid 31 August 1990) | 2.450 | 0.3 | 2.450 | 0.3 |
| For the half-year to 31 December (paid 14 February 1991) | 2.450 | 0.4 | 2.450 | 0.4 |
| | 4.900 | 0.7 | 4.900 | 0.7 |
| Ordinary shares: | | | | |
| Interim (paid 16 October 1990) | 6.125 | 100 | 5.325 | 84 |
| Final (payable 14 May 1991) | 11.375 | 184 | 11.375 | 179 |
| | 17.500 | 284 | 16.700 | 263 |
| Total ordinary dividends including related tax credit of 25% | 23.333 | | 22.267 | |

**11 Earnings per ordinary share**

[illegible]

**12 Dealing assets**

| | 1990 The Group £m | 1990 The Bank £m | [illegible] | [illegible] |
|---|---|---|---|---|
| Listed in Great Britain | 419 | 27 | 289 | — |
| Listed elsewhere | 569 | 379 | 453 | 248 |
| | 988 | 406 | 742 | 248 |
| Unlisted | 287 | — | 197 | — |
| | 1,275 | 406 | 939 | 248 |

Listed investments are stated at middle market prices and unlisted investments at directors' estimates.

**13 Investments**

| | 1990 Balance Sheet £m | 1990 Valuation £m | 1989 Balance Sheet £m | 1989 Valuation £m |
|---|---|---|---|---|
| **The Group:** | | | | |
| Listed | | | | |
| Securities of, or guaranteed by, the British Government | 128 | [illegible] | 138 | 133 |
| Other securities listed in Great Britain | 20 | 27 | 65 | 87 |
| Securities listed elsewhere | 1,309 | 1,292 | 953 | 938 |
| | 1,457 | 1,440 | 1,156 | 1,158 |
| Unlisted | 2,364 | 2,375 | 2,628 | 2,663 |
| | 3,821 | 3,815 | 3,784 | 3,821 |
| **The Bank:** | | | | |
| Listed | | | | |
| Other securities listed in Great Britain | 10 | 10 | 5 | 5 |
| Securities listed elsewhere | 298 | 298 | 191 | 191 |
| | 308 | 308 | 196 | 196 |
| Unlisted | 131 | 130 | 194 | 195 |
| | 439 | 438 | 390 | 391 |

The valuation of listed investments is at middle-market prices and of unlisted investments at directors' estimates.

**14 Advances and other accounts**

| | 1990 The Group £m | 1990 The Bank £m | 1989 The Group £m | 1989 The Bank £m |
|---|---|---|---|---|
| Due from customers* (less provision) | 80,838 | 47,432 | 77,091 | 45,244 |
| Market placings over one month | 9,735 | 7,137 | 9,154 | 7,329 |
| Other debtors and prepaid expenses | 2,545 | 375 | 2,314 | 165 |
| Operating lease assets | 1,161 | — | 1,068 | — |
| Deferred taxation (note 22) | — | 46 | — | 25 |
| | 94,279 | 54,990 | 89,627 | 52,763 |

* Group amounts due from customers include £4,327m (1989 £3,962m) receivable under finance leases and £2,470m (1989 £2,421m) in respect of hire purchase and conditional sale agreements. Operating lease assets are stated after accumulated depreciation of £326m (1989 £254m).

**15 Provision for bad and doubtful debts**

| | 1990 Specific £m | 1990 General £m | 1989 Specific £m | 1989 General £m |
|---|---|---|---|---|
| **The Group:** | | | | |
| Provision at 1 January | 1,795 | 263 | 1,313 | 244 |
| Charge against profits: | | | | |
| Domestic | 655 | 40 | 320 | (6) |
| International - PCD | (84) | — | 990 | — |
| - other | 464 | 78 | 136 | (5) |
| | 1,035 | 118 | 1,446 | (11) |
| Exchange and other adjustments | (139) | (22) | 130 | 16 |
| Subsidiaries acquired | 52 | 11 | 2 | 14 |
| Amounts written off net of recoveries: | | | | |
| Domestic | (532) | | (261) | |
| International - PCD | (728) | | (723) | |
| - other | (239) | | (112) | |
| | (1,499) | | (1,096) | |
| Provision at 31 December: | | | | |
| Domestic | 481 | 157 | 358 | 117 |
| International - PCD | 348 | — | 1,237 | — |
| - other | 415 | 213 | 200 | 146 |
| | 1,244 | 370 | 1,795 | 263 |
| Group total | 1,614 | | 2,058 | |
| Closing provision as a % of gross lending: | | | | |
| Domestic | 1.2% | | 1.0% | |
| International - PCD* | 64.7% | | 75.4% | |
| - other | 2.1% | | 1.2% | |
| Total | 2.0% | | 2.6% | |
| **The Bank:** | | | | |
| Provision at 1 January | 1,215 | 158 | 297 | 128 |
| Charge against profits: | | | | |
| Domestic | 512 | 40 | 259 | (7) |
| International - PCD | (56) | — | 238 | — |
| - other | 84 | 10 | 20 | (1) |
| | 540 | 50 | 517 | (8) |
| Exchange and other adjustments | (77) | (8) | (3) | 1 |
| Transfer of provisions from subsidiaries | — | — | 852 | 37 |
| Amounts written off net of recoveries: | | | | |
| Domestic | (451) | | (205) | |
| International - PCD | (554) | | (236) | |
| - other | (16) | | (7) | |
| | (1,021) | | (448) | |
| Provision at 31 December: | | | | |
| Domestic | 267 | 140 | 206 | 100 |
| International - PCD | 265 | — | 942 | — |
| - other | 125 | 60 | 67 | 58 |
| | 657 | 200 | 1,215 | 158 |
| Bank total | 857 | | 1,373 | |
| Closing provision as a % of gross lending: | | | | |
| Domestic | 1.2% | | 1.0% | |
| International - PCD* | 62.1% | | 70.8% | |
| - other | 1.3% | | 0.9% | |
| Total | 1.8% | | 3.0% | |

* % cover based on provisionable exposure

## 15 Provision for bad and doubtful debts (continued)

**Problem-country lending and provisions**

At 31 December 1990 the total Group provision against problem-country debt was £348m (1989 £1,237m) which represented 65% (1989 75%) of the Group's £538m (1989 £1,640m) provisionable exposure to 18 (1989 24) countries rescheduling or in payment difficulties.

## 16 Investments in associated undertakings

| | 1990 Balance sheet £m | 1990 Valuation £m | 1989 Balance sheet £m | 1989 Valuation £m |
|---|---|---|---|---|
| **The Group:** | | | | |
| Associated undertakings (all unlisted) | 237 | 241 | 249 | 241 |
| Investment in Yorkshire Bank PLC * | — | — | 389 | 389 |
| | 237 | 241 | 638 | 630 |
| **The Bank:** | | | | |
| Associated undertakings (all unlisted) | 60 | 211 | 92 | 236 |
| Investment in Yorkshire Bank PLC * | — | — | 389 | 389 |
| | 60 | 211 | 481 | 625 |

* At 31 December 1989 Yorkshire Bank PLC was valued at sale proceeds.

Balance sheet amounts for the Group's investments in associated undertakings comprise the Group's share of net tangible assets of £216m (1989 £226m) and loans of £21m (1989 £23m).

**The principal associated undertakings are:**

| | Nature of business | Issued share capital and loans at 31 December 1990 | Group interest % | Group's share of results based on accounts for the year ended | Principal area of operation |
|---|---|---|---|---|---|
| 3i Group plc | Long term finance | 234,770,788 £1 shares | 23.2 | 30 September 1990 | (1) Great Britain |
| BACS Ltd | Money transmission services | 3,176,641 £1 shares | 21.8 | 30 November 1990 | (1) Great Britain |
| Banca Creditwest e dei Comuni Vesuviani SpA (incorporated in Italy) | Banking | 15,776,000 L3000 shares | 19.2 | 31 December 1990 | Italy |
| BCH Property Ltd | Property investment & management company | 1,483,840 £1 shares | 34.5 | 30 November 1990 | (1) Great Britain |
| International Commodities Clearing House Holdings (an unlimited company) | Commodity market clearing house | 45,900,000 18p shares | 22.2 | 31 December 1990 | (1) Worldwide |
| Signet Ltd | Card transaction processing | 400 £1 ordinary shares<br>£65.5m loans | 30<br>30 | 31 October 1990 | (1) Great Britain and the Republic of Ireland |
| The Agricultural Mortgage Corporation PLC | Agricultural mortgage finance | 18,500,000 £1 shares | 26 | 30 September 1990 | (1) England and Wales |

(1) Has its registered office in England and Wales.

| | | 1990 £m | [illegible] |
|---|---|---|---|
| **17 Investments in subsidiary undertakings** | **The Bank:** | | |
| | [illegible] | 2,540 | [illegible] |
| | [illegible] | 143 | 140 |
| | | 2,683 | 2,578 |

**The principal subsidiary undertakings of National Westminster Bank PLC are:**

| | Nature of business | Country of incorporation and main area of operation | Notes | Accounting reference date |
|---|---|---|---|---|
| Banco NatWest España SA | Banking | Spain | (1)(2) | 31 December |
| Centre-file Ltd | Computer services | Great Britain | (3) | 30 September |
| Coutts & Co | Banking | Great Britain | (3)(4) | 31 December |
| HandelsBank NatWest | Banking | Switzerland | (1)(4) | 31 December |
| Isle of Man Bank Ltd | Banking | Isle of Man | | 31 December |
| Lombard North Central PLC | Banking, credit finance and leasing | Great Britain | (3)(5) | 30 September |
| National Westminster Bank AG | Banking | Germany | | 31 December |
| National Westminster Bank NJ | Banking | United States of America | (4) | 31 December |
| National Westminster Bank of Canada | Banking | Canada | | 31 October |
| National Westminster Bank s.a. | Banking | France | (6) | 31 December |
| National Westminster Bank USA | Banking | United States of America | (4) | 31 December |
| National Westminster Financial Futures Ltd | Financial futures broking | Great Britain | (3) | 31 December |
| National Westminster Home Loans Ltd | Home mortgage finance | Great Britain | (3) | 31 December |
| National Westminster Insurance Services Ltd | Insurance broking | Great Britain | (3) | 31 December |
| NatWest Australia Bank Ltd | Banking | Australia | | 31 December |
| NatWest International Trust Holdings Ltd | International trust, company and investment services | Bahamas | (4)(7) | 30 November |
| NatWest Investment Bank Ltd | Investment banking | Great Britain | (3)(8) | 31 December |
| NatWest Personal Financial Management Ltd | Stockbroking and personal investment management | Great Britain | (3) | 31 December |
| Ulster Bank Ltd | Banking | Northern Ireland | (9) | 31 December |
| Van Lanschot's Beleggings-Compagnie BV | Banking | The Netherlands | (1) | 31 December |

(1) The Bank holds, either directly or indirectly, 100% of the equity share capital of the principal subsidiary undertakings apart from Banco NatWest España SA (99.40%) HandelsBank NatWest (86.88%) and Van Lanschot's Beleggings-Compagnie BV (80.75%).
(2) Banco NatWest España SA was previously called Banco NatWest March SA.
(3) Has its registered office in England and Wales.
(4) Investments in these companies are not directly held by National Westminster Bank PLC.
(5) The Bank has no holding in the preference share capital of Lombard North Central PLC.
(6) National Westminster Bank s.a. also operates in Monaco.
(7) NatWest International Trust Holdings Ltd and its subsidiary undertakings operate worldwide.
(8) Investment banking is also carried on by Group companies in the United States of America, Japan, Hong Kong, Australia, France, Belgium, Switzerland and Germany.
(9) Ulster Bank Ltd and its subsidiary undertakings also operate in the Republic of Ireland.
(10) All the above subsidiary undertakings are included in the consolidated accounts.
(11) Details of all Group companies will be annexed to the Bank's next Annual Return

## 10 Premises and equipment

| The Group: | Freehold land and buildings* £m | Leases of 50 years or more unexpired* £m | Leases of less than 50 years unexpired £m | Computer and other equipment £m | Total £m |
|---|---|---|---|---|---|
| Cost or valuation at 1 January 1990 | 2,379 | 119 | 237 | 1,337 | 4,072 |
| Acquisition of subsidiary undertakings | 21 | — | — | 9 | 30 |
| Exchange differences | (54) | — | (10) | (32) | (96) |
| Additions | 115 | 9 | 30 | 364 | 518 |
| Disposals | (30) | — | (3) | (135) | (168) |
| Cost or valuation at 31 December 1990 | 2,431 | 128 | 254 | 1,543 | 4,356 |
| Accumulated depreciation and amortisation | (157) | (32) | (79) | (726) | (994) |
| Net book value at 31 December 1990 | 2,274 | 96 | 175 | 817 | 3,362 |
| Net book value at 31 December 1989 | 2,242 | 97 | 167 | 697 | 3,203 |

| The Bank: | Freehold land and buildings* £m | Leases of 50 years or more unexpired* £m | Leases of less than 50 years unexpired £m | Computer and other equipment £m | Total £m |
|---|---|---|---|---|---|
| Cost or valuation at 1 January 1990 | 1,870 | 81 | 152 | 854 | 2,957 |
| Exchange differences | (2) | — | (1) | (2) | (5) |
| Additions | 62 | 7 | 24 | 256 | 349 |
| Disposals | (10) | — | (1) | (81) | (92) |
| Cost or valuation at 31 December 1990 | 1,920 | 88 | 174 | 1,027 | 3,209 |
| Accumulated depreciation and amortisation | (156) | (24) | (50) | (475) | (705) |
| Net book value at 31 December 1990 | 1,764 | 64 | 124 | 552 | 2,504 |
| Net book value at 31 December 1989 | 1,734 | 68 | 110 | 442 | 2,354 |

* Including fixed plant which is depreciated with a cost of £392m (1989 £379m) in the Group and £338m (1989 £320m) in the Bank.

**Cost or valuation of freehold land and buildings (fixed plant at net book values)**

| | 1990 The Group £m | 1990 The Bank £m | 1989 The Group £m | 1989 The Bank £m |
|---|---|---|---|---|
| At 1988 valuation | 1,951 | 1,597 | 2,032 | 1,618 |
| At cost | 323 | 167 | 210 | 116 |
| At 31 December | 2,274 | 1,764 | 2,242 | 1,734 |

**Future expenditure**

| | | | | |
|---|---|---|---|---|
| Contracted but not provided in the accounts | 152 | 119 | 207 | 177 |
| Authorised by the directors but not contracted | 206 | 179 | 191 | 136 |
| | 358 | 298 | 398 | 313 |

## 19 Share capital

| | Preference shares of US$25 each US$m | Preference shares of £1 each £m | 7¾% (now 4 9⁄16% + tax credit) cumulative preference shares of £1 each £m | Ordinary shares of £1 each £m |
|---|---|---|---|---|
| Authorised: | | | | |
| At 1 January 1990 | — | — | 15 | 1,850 |
| Increased by Special Resolution on 24 April 1990 | 1,000 | 500 | — | — |
| At 31 December 1990 | 1,000 | 500 | 15 | 1,850 |
| Issued and fully paid: | | | | |
| At 1 January 1990 | — | — | 14 | 1,576 |
| Warrants exercised | — | — | — | 28 |
| Shares in lieu of dividends | — | — | — | 3 |
| Issued under Profit Sharing and Share Option Schemes for staff | — | — | — | 8 |
| At 31 December 1990 | — | — | 14 | 1,615 |

Under the terms of the Executive and Savings-Related Share Option Schemes options have been granted to certain Directors and members of staff enabling them to subscribe for 69.4m (1989 53.4m) ordinary shares between 1991 and 2000 at various prices between 126p and 352p.

It is not possible to quantify the number of ordinary shares that will be issued in 1991 in lieu of the final dividend or under the Profit Sharing Schemes in respect of profits arising in 1990.

The period for exercise of the warrants to subscribe for ordinary shares issued in conjunction with the SwFr300m 4.5% capital bonds 1995 ended on 26 July 1990 by which time a total of 39.1m shares had been issued following the exercise of warrants.

## 20 Reserves

| | The Bank and subsidiaries £m | Associated undertakings £m | The Group £m | The Bank £m |
|---|---|---|---|---|
| At 1 January 1990 | 4,176 | 182 | 4,358 | 3,235 |
| Retentions for the year | 87 | (1) | 86 | 268 |
| Goodwill arising on acquisitions written off | (31) | (1) | (32) | — |
| Transfer to profit and loss account of revaluation surplus realised on sale of Yorkshire Bank PLC | (163) | — | (163) | (190) |
| Shares in lieu of dividends | 8 | — | 8 | 8 |
| Warrants exercised | 35 | — | 35 | 35 |
| Reclassification | 32 | (32) | — | — |
| Other movements | (12) | (1) | (13) | 7 |
| At 31 December 1990 | 4,132 | 147 | 4,279 | 3,363 |

The Bank and Group reserves include share premium of £582m (1989 £540m) and a surplus over cost on revaluation of freehold properties of £348m (1989 £348m) and of investments of nil (1989 £190m) in the Bank and £490m (1989 £499m) for properties and nil (1989 £163m) for investments in the Group.

The cumulative amount of goodwill deducted from the Group's reserves, attributable to subsidiary undertakings acquired after 1 January 1969 and not subsequently sold is £737m. Similar information relating to subsidiary undertakings acquired before 1 January 1969 is not available.

## 21 Loan capital

| | 1990 £m | [illegible] |
|---|---|---|
| **Undated loan capital** | | |
| [illegible] | | |
| [illegible] | 779 | [illegible] |
| [illegible] | 260 | [illegible] |
| [illegible] undated variable rate notes (1994 - note [illegible]) | 260 | [illegible] |
| [illegible] undated variable rate notes (1994 - note [illegible]) | 350 | [illegible] |
| | 1,649 | [illegible] |
| Due to subsidiary undertakings | | |
| US$67 [illegible] junior guaranteed FRNs (minimum 5% until 1994) (note (d)) (1991 - note (c)) | 32 | [illegible] |
| **Bank and Group total undated loan capital** | 1,681 | 1,941 |
| **Dated loan capital** | | |
| The Bank. | | |
| £300m variable rate capital notes 2005/2009 (1994 - note (c)) | 300 | 300 |
| US$300m variable rate capital notes 2004/2008 (1993 - note (c)) | 156 | 187 |
| £100m 12⅞% unsecured loan stock 2004 | 100 | 100 |
| £8,623,785 unsecured floating rate loan stock 2000 (series 'A' and 'B') (note (e)) | 9 | 10 |
| DM300m 6% bearer bonds 1998 | 104 | 110 |
| US$250m variable rate capital notes 1996/2000 (1995 - note (c)) | 130 | — |
| SwFr300m 4⅞% capital bonds 1995 (1991 - note (c)) | 122 | 121 |
| £21m 9% unsecured loan stock 1993 | 21 | 21 |
| A$75m 14⅞% capital notes 1993 | 30 | 37 |
| | 972 | 886 |
| Due to subsidiary undertakings (notes (f) and (g)) | | |
| US$400m guaranteed floating rate capital notes 2005 (1991 - note(c)) | 208 | 248 |
| US$500m 9⅞% guaranteed capital notes 2003 | — | 311 |
| US$100m 12⅞% guaranteed capital notes 2002 (1997 - note (c)) | — | 62 |
| US$295m floating rate loan 2000 | 153 | 183 |
| US$180m guaranteed floating rate capital notes 2000 | 93 | 112 |
| US$200m floating rate loan 1999 | 104 | 124 |
| DM100m 9⅞% bearer bonds 1992 | 35 | 37 |
| US$150m 11⅞% capital bonds 1992 | 78 | 93 |
| US$100m 14⅞% capital bonds 1991 | 52 | 62 |
| DM125m 11% bearer bonds 1991 | 43 | 46 |
| | 766 | 1,278 |
| **Bank total dated capital** | 1,738 | 2,164 |
| Subsidiary undertakings: | | |
| SwFr mortgage bonds (at various rates between 3.3% and 6.8%) repayable between 1991 and 1999 | 14 | 14 |
| SwFr debentures (at various rates between 3⅞% and 6⅞%) repayable between 1991 and 1997 (note (h)) | 66 | 80 |
| US$500m 9⅞% guaranteed capital notes 2003 (note (g)) | 260 | — |
| US$100m 12⅞% guaranteed capital notes 2002 (1997 - notes (c) and (g)) | 52 | — |
| US$ mortgage notes (at 4.9%) repayable in instalments between 1991 and 1995 | 1 | 1 |
| US$13m 8.7% unsubordinated notes 1994 | 7 | 8 |
| US$ notes (at various rates between 8⅞% and 12⅞%) repayable between 1991 and 1993 | 14 | 17 |
| Dfl32.3m subordinated placements (at various rates between 6⅞% and 12⅞%) repayable between 1991 and 2001 | 41 | — |
| | 455 | 120 |
| Group total dated loan capital | 2,193 | 2,284 |

**21 Loan capital (continued)**

All the above loan capital, with the exception of the mortgage notes and mortgage bonds, is unsecured.

Claims in respect of the Bank's loan capital are subordinated to the claims of other creditors.

(a) [illegible] are unsecured obligations of the Bank and payment of principal and interest are conditional upon the Bank being solvent at the time of payment. The loan capital is available to absorb losses but ranks ahead of existing share capital in the event of repayment.
(b) These floating rate notes, issued in three series each of US$500m in 1985, have no final maturity but may be redeemed at par, at the option of the borrower.
(c) Repayable at the option of the relevant borrower in or after the years mentioned in parentheses, in certain cases at a premium.
(d) These notes are guaranteed on a junior subordinated basis by the Bank as to payment of principal and interest. The proceeds are on-lent to the Bank on a junior subordinated basis.
(e) Series 'A', £436,455, and Series 'B', £8,187,380, are redeemable at the option of the holders.
(f) Issued by subsidiary undertakings of the Bank and on-lent to the Bank on a subordinated basis.
(g) Guaranteed on a subordinated basis by the Bank as to payment of principal, premium (if any) and interest.
(h) The obligations of the subsidiary undertakings in respect of SwFr26m of the debentures are subordinated.

**22 Deferred taxation**

| | 1990 The Group £m | 1990 The Bank £m | 1989 The Group £m | 1989 The Bank £m |
|---|---|---|---|---|
| Provision for deferred taxation: | | | | |
| Capital allowances | 948 | 99 | 897 | 100 |
| Other timing differences | (207) | (145) | (202) | (125) |
| | 741 | (46) | 695 | (25) |

The provision for UK deferred taxation relating to capital allowances has been made at 35% being the rate of corporation tax at which the liability is expected to crystallise. Unprovided potential deferred taxation liabilities in respect of capital allowances amount to £55m (1989 £55m) and relate to leasing transactions of a subsidiary group.

The Bank's net deferred tax asset is shown in 'Advances and other accounts' (note 14).

Provision is not made for any liability which might arise in the event of Group properties being realised at balance sheet values. Most of these properties are occupied for the purposes of the Group's trade and any gains arising on disposal are normally rolled-over pursuant to the Capital Gains Tax Act 1979 Section 115. The directors are, therefore, of the opinion that the likelihood of any material liability arising in this respect is remote and, in view of the large number of properties, no useful purpose would be served by quantifying the potential liability.

Provision is not made for any liability which might arise in the event of Group investments in associated undertakings being disposed of at the valuations shown in note 16.

Provision is not made for any liability which might arise if the reserves of overseas subsidiary and associated undertakings were to be remitted.

**23 Amounts due to subsidiary undertakings**

Amounts due to subsidiary undertakings exclude undated floating rate and dated loan capital raised by certain wholly-owned undertakings and on-lent to the Bank on a subordinated basis (note 21).

**24 Current, deposit and other accounts**

| | 1990 The Group £m | 1990 The Bank £m | 1989 The Group £m | 1989 The Bank £m |
|---|---|---|---|---|
| **Sterling:** | | | | |
| Current accounts | 11,673 | 11,074 | 11,327 | 10,721 |
| Deposit and other accounts | 50,119 | 40,360 | 45,682 | 35,975 |
| | 61,792 | 51,434 | 57,009 | 46,696 |
| **Currency:** | | | | |
| Current accounts | 5,063 | 1,831 | 4,869 | 1,566 |
| Deposit and other accounts | 39,477 | 20,893 | 39,373 | 21,776 |
| | 44,540 | 22,724 | 44,242 | 23,342 |
| | 106,332 | 74,[illegible]38 | 101,251 | 70,038 |

The Group total includes £40m (1989 £91m) secured deposits of overseas subsidiary undertakings. Sterling deposit and other accounts includes deposit accounts with cheque book facilities.

## 25 Other liabilities

| | 1990 The Group £m | 1990 The Bank £m | [illegible] | [illegible] |
|---|---|---|---|---|
| Creditors and accrued expenses | 3,615 | 534 | 3,478 | [illegible] |
| Taxation | 313 | 330 | 282 | [illegible] |
| Dividends (note 10) | 184 | 184 | 179 | [illegible] |
| | 4,112 | 1,048 | 3,939 | [illegible] |

## 26 Transactions involving Directors and others

(a) The aggregate amounts outstanding at 31 December 1990 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are, or were, Directors of the Bank during the year or who are, or were, connected with a Director of the Bank during the year, relating to loans, quasi-loans and credit transactions were

| | Number of Directors | Number of connected persons | Amount £000 |
|---|---|---|---|
| Loans | 18 | 15 | 407 |
| Quasi-loans | 1 | 1 | 75 |
| Credit transactions | — | — | — |

(b) Loans, quasi-loans and credit transactions made by companies within the Group, other than authorised institutions, to Directors of the Bank and their connected persons are as follows:

| Name of borrower | Relationship of Director | Nature of agreement | Date of agreement | Term of agreement | Total cost of assets | Total rentals payable at commercial rates |
|---|---|---|---|---|---|---|
| West Midland Timber Treatment Co. | Lord Boyne Partner | Lease | 1986 | 5 years | £20,800 | £24,478 |
| M Butler Farms | Sir Richard Butler Partner | Lease | 1990 | 3 years | £18,600 | £20,132 |
| C Butler Farms | Sir Richard Butler Partner | Conditional sale | 1990 | 2 years | £14,500 | £14,776 |

(c) The aggregate amounts outstanding at 31 December 1990 under transactions, arrangements and agreements made by authorised institutions within the Group for persons who are or were officers of the Bank within the meaning of the Banking Act 1987 during the year relating to loans, quasi-loans and credit transactions were:

| | Number of officers | Amount £000 |
|---|---|---|
| Loans | 19 | 1,099 |
| Quasi-loans | — | — |
| Credit transactions | — | — |

(d) There were no amounts outstanding at 31 December 1990 in respect of loans, quasi-loans or credit transactions made by companies within the Group, other than authorised institutions, for officers of the Bank.

## 27 General

(i) Contingent liabilities

| | 1990 The Group £m | 1990 The Bank £m | 1989 The Group £m | 1989 The Bank £m |
|---|---|---|---|---|
| Acceptances | 2,204 | 1,831 | 3,300 | 2,555 |
| Guarantees, performance bonds and other engagements | 14,536 | 12,890 | 13,628 | 11,933 |
| | 16,740 | 14,721 | 16,928 | 14,488 |

These transactions, which have been entered into on behalf of customers and for which there are corresponding obligations by customers, are not included in the balance sheets.

The Bank has guaranteed undated floating rate and dated loan capital of certain subsidiary undertakings and these guarantees total £798m (1989 £1,316m).

At the balance sheet date there were other guarantees not entered into on behalf of customers; these amount to £976m (1989 £929m) in the Bank and £2m (1989 £2m) in the Group.

Additional contingent liabilities arise in the normal course of business. It is not anticipated that any material loss will arise from these transactions. In addition, there are outstanding contracts for the sale and purchase of foreign currencies.

(ii) Operating lease commitments:

At the year end, annual commitments under non-cancellable operating leases were:

| | 1990 Premises £m | 1990 Equipment £m | 1989 Premises £m | 1989 Equipment £m |
|---|---|---|---|---|
| The Group: | | | | |
| Expiring: | | | | |
| - within one year | 17 | 4 | 18 | 6 |
| - between one and five years | 57 | 8 | 51 | 7 |
| - in five years or more | 160 | 1 | 127 | 4 |
| | 234 | 13 | 196 | 17 |
| The Bank: | | | | |
| Expiring: | | | | |
| - within one year | 2 | 2 | 3 | 2 |
| - between one and five years | 5 | 3 | 5 | 1 |
| - in five years or more | 72 | 1 | 43 | 4 |
| | 79 | 6 | 51 | 7 |

(iii) The turnover of the Group is mainly attributable to the business of banking and related activities.

(iv) Amounts financed during the year under finance leases were £1,296m (1989 £1,224m) and under hire purchase and conditional sale agreements were £1,651m (1989 £1,947m).

# Financial Information for US Investors

**Selected consolidated financial data in accordance with US GAAP**

Certain additional information follows for US investors [illegible] prepared in accordance with generally accepted accounting principles applicable in the US (US GAAP). The consolidated financial statements of the Group are prepared in accordance with UK GAAP which differ in some respects from US GAAP, see page 63

In accordance with United States legislation, National Westminster Bank PLC files an annual report on Form 20-F with the Securities and Exchange Commission. The Form 20-F is available for public inspection and a copy may be obtained from the Bank's Registered Office, 41 Lothbury, London EC2P 2BP during normal business hours on any weekday (Saturdays and Public Holidays excepted).

| | 1990 £m | 1989 £m | 1988 £m | 1987 £m | 1986 £m |
|---|---|---|---|---|---|
| Income before taxes and loan loss provisions | 1,580 | 1,720 | 1,563 | 1,431 | 1,361 |
| Loan loss provisions | 1,153 | 1,435 | 266 | 759 | 373 |
| Net income | 303 | 157 | 726 | 419 | 600 |
| **Year-end balances** | | | | | |
| Shareholders' equity | 5,285 | 5,184 | 5,211 | 4,547 | 4,249 |
| Total assets (inc. acceptances) | 122,567 | 118,539 | 100,520 | 88,758 | 84,632 |
| **Average balances for the year** | | | | | |
| Shareholders' equity | 5,253 | 5,144 | 4,785 | 4,370 | 3,331 |
| Total assets (inc. acceptances) | 119,685 | 112,467 | 99,404 | 84,349 | 78,714 |
| **Per American Depositary Share (ADS) (note (a))** | £ | £ | £ | £ | £ |
| Net income | 1.14 | 0.60 | 2.86 | 1.67 | 2.76 |
| Dividends (gross) (note (b)) | 1.40 | 1.19 | 1.03 | 0.90 | 0.79 |
| Book value | 19.58 | 19.68 | 20.04 | 18.04 | 16.99 |
| **Ratio analysis** | % | % | % | % | % |
| Return on shareholders' average equity - net income | 5.8 | 3.1 | 15.2 | 9.6 | 18.0 |
| Return on average total assets - income before taxes | 0.4 | 0.3 | 1.3 | 0.8 | 1.3 |
| - net income | 0.3 | 0.1 | 0.7 | 0.5 | 0.8 |

(a) Each ADS represents six ordinary shares.
(b) Dividends (gross) are those declared during the year grossed-up for the associated tax credits. Where tax credits are refunded and added to dividends paid to US resident individuals and corporations, 15% UK withholding tax will be deducted.

## Reconciliation between UK and US GAAP

| Consolidated statement of Income-net income | 1990 £m | 1989 £m |
|---|---|---|
| Group profit attributable to ordinary shareholders on a UK GAAP basis | 370 | 198 |
| Adjustments in respect of: | | |
| Amortisation of goodwill | (35) | (29) |
| Deferred taxation | 7 | 43 |
| Depreciation of freehold buildings and long leaseholds | (18) | (17) |
| Deferral of loan fees and costs | (16) | (18) |
| Pension costs | (6) | (21) |
| Preference dividends | 1 | 1 |
| Net income on a US GAAP basis | 303 | 157 |
| Equivalent to | $583m | $253m |

| Consolidated shareholders' equity at year end | £m | £m |
|---|---|---|
| Share capital | 1,629 | 1,590 |
| Reserves | 4,279 | 4,358 |
| Shareholders' equity on a UK GAAP basis | 5,908 | 5,948 |
| Adjustments in respect of: | | |
| Elimination of revaluation surplus on properties | (1,090) | (1,099) |
| Goodwill | 615 | 618 |
| Final dividend | 184 | 179 |
| Depreciation of freehold buildings and long leaseholds | (146) | (128) |
| Deferred taxation | (84) | (91) |
| Deferral of loan fees and costs | (75) | (59) |
| Pension costs | (27) | (21) |
| Elimination of revaluation reserve arising on Yorkshire Bank PLC | — | (163) |
| Shareholders' equity on a US GAAP basis | 5,285 | 5,184 |
| Equivalent to | $10,176m | $8,346m |
| Year-end exchange rates $/£ | 1.9255 | 1.6100 |

## Significant differences between UK and US GAAP

(a) **Premises and equipment and investments** may be revalued and the surplus or deficit arising on such revaluation is included in the Group's reserves which form part of shareholders' equity. Revaluation of fixed assets and investments is not permitted under US GAAP.

(b) **Goodwill** is charged to the Group's reserves in the year of acquisition. Under US GAAP such excess over cost is capitalised and amortised over its estimated useful life but not more than 25 years.

(c) **Dividends** are provided for in the fiscal year in respect of which they are declared by the Board of Directors. Under US GAAP, such dividends are not provided for until the date declared.

(d) **Freehold and long leasehold properties** maintained in a state of good repair have not been depreciated. Under US GAAP depreciation must be charged.

(e) **Deferred taxation** is provided only where it is probable that a taxation liability will crystallise. Under US GAAP, as provided by SFAS No. 96 'Accounting for Income Taxes', full provision must generally be made for all potential taxation liabilities. In addition the conditions required for recognition of deferred tax assets are more strenuous than under UK GAAP.

(f) **Loan fees** are generally recognised when received. Under US GAAP loan fees and certain direct costs are deferred and recognised as an adjustment to the yield on the related loan or facility.

(g) **Pension costs** are based on actuarial assumptions and methods and charged in the consolidated financial statements so as to allocate the cost of providing pension benefits over the service lives of employees in a consistent manner approved by the actuary. US GAAP prescribes the method of actuarial valuation and also requires assets to be assessed at fair value and the assessment of liabilities to be based on current interest rates.

(h) **Acceptances and the related customer liabilities** are not reported in the consolidated balance sheet whereas they would be reflected in the consolidated balance sheet by banks in the US.

# Group Structure, UK Financial Services

**National Westminster Bank PLC**, approximately 3,000 branch offices throughout the United Kingdom and 56 branches of Financial and Investment Services

## Subsidiaries

**Isle of Man Bank Limited**, Banking Services
Chairman W L B Stott, General Manager T W N Walsh
Head Office: P O Box 13, 2 Athol Street, Douglas, Isle of Man

**Lombard North Central PLC**, Banking Services, Credit Finance, Leasing and Contract Hire
Chairman Sir Hugh Cubitt CBE JP DL, Chief Executive B A Carte
Head Office & Registered Office: Lombard House, 3 Princess Way, Redhill, Surrey RH1 1NP

**Lombard NatWest Commercial Services Limited**, Factoring Services, Invoice Discounting
Chairman B A Carte, Managing Director M W Turner
Head Office & Registered Office: Smith House, P O Box 50, Elmwood Avenue, Feltham, Middlesex TW13 7QD

**Lombard Tricity Finance Limited**, Instalment Credit and Credit Card Facilities
Chairman B A Carte, Managing Director S R Jones
Head Office & Registered Office: Lombard House, Baird Road, Enfield, Middlesex EN1 1TP

**National Westminster Home Loans Limited**, Home Mortgage Finance
Chairman D J Powell, Managing Director H A Gillis
Head Office: P O Box 156, Priory House, 38 Colmore Circus, Queensway, Birmingham B4 6AL
Registered Office: 41 Lothbury, London EC2P 2BP

**National Westminster Insurance Services Limited**, Insurance Brokers
Chairman D J Powell, Managing Director F S Frost
Head Office: P O Box 106, 37 Broad Street, Bristol BS99 7NQ
Registered Office: 41 Lothbury, London EC2P 2BP

**NatWest Export Finance Limited**, Financial Services
Chairman K J Shackell, Director J E McIntosh
Head Office: National Westminster Tower, 25 Old Broad Street, London EC2N 1HQ

**NatWest Stockbrokers Limited**, Retail Brokers and Investment Managers
Chairman D J Powell, Managing Director N F Stapley
Head Office & Registered Office: 55 Mansell Street, London E1 8AN

**Ulster Bank Limited**, Banking Services
Chairman Dr W G H Quigley, Chief Executive D Went
Head Office: 47 Donegall Place, Belfast BT1 5AU

**Ulster Investment Bank Limited**, Merchant Banking
Chairman M Rafferty, Chief Executive B W McConnell
Head Office: 2 Hume Street, Dublin 2

**Lombard and Ulster Limited**, Medium Term Finance, Hire Purchase, Leasing and Deposits
Chairman H S E Catherwood, Chief Executive J H Torney
Head Office: 40 Linenhall Street, Belfast BT2 8DF

**Lombard and Ulster Banking Limited**, Medium Term Finance, Hire Purchase, Leasing and Deposits
Chairman M Rafferty, Chief Executive R A Robinson
Head Office: Lombard & Ulster House, 54-57 Lower Mount Street, Dublin 2

**Ulster Bank (Isle of Man) Limited**, Deposits
Chairman T W N Walsh, Chief Executive D J McCauley
Head Office: 46 Athol Street, Douglas, Isle of Man

**Ulster Bank Dublin Trust Company**, Trustee and Income Tax Services, Investment Management
Chairman J J McNally, Manager M F Daly
Head Office: P O Box 145, 33 College Green, Dublin 2

**Ulster Bank Trust Company**, Trustee Services, Home Loans
Chairman R D Kells, Managing Director J T Hart
Head Office: P O Box 233, 35-39 Waring Street, Belfast BT1 2ER

**Ulster Bank Insurance Services Limited**, Insurance Brokers, Independent Life Assurance and Pension Advisors
Chairman D Went, Manager G P Davidson
Head Office: Ulster Bank House, Shaftesbury Square, Belfast BT2 7DL

**Ulster Bank Commercial Services (NI) Limited**, Factoring Services, Invoice Discounting
Chairman R D Kells, General Manager D F Moynihan
Head Office: 11 Donegall Square South, Belfast BT1 5PH

**Ulster Bank Commercial Services Limited**, Factoring Services, Invoice Discounting
Chairman K R Wall, Chief Executive W J Glynn
Head Office: Felix House, 7-9 South Leinster Street, Dublin 2

**Ulster Bank Group Treasury Limited**, Treasury, Foreign Exchange and Interest Rate Management
Chairman D Went, Chief Executive M J Wilson
Head Office: 33 College Green, Dublin 2

**Ulster Bank Group Treasury (International) Limited**, Treasury, Foreign Exchange and Interest Rate Management
Chairman D Went, Chief Executive M J Wilson
Head Office: 33 College Green, Dublin 2

## Principal Associates

**The Agricultural Mortgage Corporation PLC (26%)**, Agricultural Mortgage Finance
**International Commodities Clearing House Holdings (22.2%)**, Clearing Services for Futures Markets
**3i Group plc (23.2%)**, Permanent and Long Term Investment Finance
**Signet Limited (30%)**, Credit Card Operations
**Switch Card Services Limited (33.3%)**, Administration of Switch Scheme

# Group Structure, International Businesses

### USA Retail

National Westminster Bancorp Inc is the holding company for:
**National Westminster Bank USA**, Banking Services
128 branches in New York. Also represented in UK and Hong Kong.
Chairman of the Board W T Knowles, President and Chief Executive Officer B J Dugan
Head Office: 175 Water Street, New York, NY 10038-4924, USA

**National Westminster Bank NJ**, Banking Services
135 branches in New Jersey
Chairman of the Board R F Wallace, President and Chief Executive Officer L D O'Brien
Head Office: 10 Exchange Place, Jersey City, New Jersey 07302, USA

### Australia

**NatWest Australia Bank Limited**, Banking Services
Chairman J K Bain, Deputy Chairman and Chief Executive P W Deer
Head Office: Qantas International Centre, International Square, Sydney, NSW 2000, Australia

### European Businesses

**National Westminster Bank AG**, Banking Services
Chairman of the Supervisory Board Dr H Sippel, Speaker of the Management Board G Grehl
Head Office: National Westminster Haus, Feldbergstrasse 35, Postfach 111051, 6000 Frankfurt am Main 1, Germany

**National Westminster Bank s.a.**, Banking Services
Chairman P Esteva, General Manager R Allemon
Head Office: 18 Place Vendome, BP 331-01, Paris Cedex 01, France

**Banco NatWest España SA (99.4%)**, Banking Services
Chairman R M Cortiña, General Manager N P Imison
Head Office: Miguel Angel 23, 28010 Madrid, Spain

**F van Lanschot Bankiers NV (80.75%)**, Banking Services
Chairman of the Supervisory Board C van Veen
Chairman of the Management Board J C van Lanschot
Head Office: Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, The Netherlands

### Principal Associates

**Banca CreditWest e dei Comuni Vesuviani SpA (19.2%)**, Banking Services
Chairman A Bosia, Director and General Manager R Ibba
Head Office: Via Santa Margherita 7, 20121 Milan, Italy

### Branches

Branches of National Westminster Bank PLC in Greece, Brussels, Gibraltar and Madrid

### Coutts & Co. Group

Coutts & Co. Group's subsidiaries are primarily engaged in Private Banking activities.

#### Principal subsidiaries include:

**Coutts & Co.**
Chairman D B Money-Coutts, Managing Director A J Robarts
Head Office: 440 Strand, London WC2R 0QS

**HandelsBank NatWest (86.9%)**
Chairman of the Board Dr E F Schaad
Chairman of the Management Committee J-P Cuoni
Head Office: Talstrasse 59, CH 8022 Zurich, Switzerland

**NatWest International Trust Holdings Limited**, Holding Company
Chairman D McCallum, Vice Chairman and Managing Director J D Frizzell
Head Office & Registered Office: P O Box N4889, Nassau, Bahamas

### Subsidiaries of NatWest International Trust Holdings Limited

#### In Europe:

**NatWest International Trust Corporation (Europe) Limited**
President P ap G Stradling
Head Office & Registered Office: P O Box 115, 11/13 Hill Street, Douglas, Isle of Man

**NatWest International Trust Corporation (Jersey) Limited**
Managing Director G B H Tribe
Head Office & Registered Office: P O Box 6, 23/25 Broad Street, St Helier, Jersey, Channel Islands

**NatWest International Trust Corporation (Isle of Man) Limited**
Head Office & Registered Office: P O Box 59, 33 Athol Street, Douglas, Isle of Man

**NatWest International Trust Corporation (Guernsey) Limited**
Managing Director P Doyle
Head Office & Registered Office: P O Box 16, National Westminster House, Le Truchot, St Peter Port, Guernsey, Channel Islands

**National Westminster Bank Finance (CI) Limited**, Channel Islands based Deposit Taking and Lending Institution
Chairman D McCallum, Managing Director J E Hemming
Head Office & Registered Office: P O Box 125, 27 Broad Street, St Helier, Jersey, Channel Islands

**Subsidiaries also in Gibraltar, Switzerland and Liechtenstein**

#### In the Americas:

**NatWest International Trust Corporation (Americas) Limited**
Chairman J D Frizzell
Head Office & Registered Office: P O Box N7788, Nassau, Bahamas

**NatWest International Trust Corporation (Cayman) Limited**
Managing Director J E Hall
Head Office & Registered Office: P O Box 707, West Bay Road, Grand Cayman, B.W.I.

**NatWest International Trust Corporation (Bahamas) Limited**
Managing Director C R Masters
Head Office & Registered Office: P O Box N7788, West Bay Street, Nassau, Bahamas

**Subsidiary also in Uruguay**

NB: With effect from 1 April 1991 HandelsBank NatWest and the NatWest International Trust Corporation Group of companies will change their names to reflect the Coutts & Co. identity.

# Group Structure

## Corporate and Institutional Banking (CIB)

The main trading outlets are

135 Bishopsgate, London EC2M 3UR, the Group Treasury dealing rooms and Capital Markets activities.

The National Westminster Tower, 25 Old Broad Street, London EC2N 1HQ, the Corporate and Institutional Finance activities and CIB Headquarters.

National Westminster Bank PLC has branches in New York, Tokyo, Singapore and Hong Kong.

**Subsidiaries**

**NatWest Gilts Limited**, Gilt Edged Securities Market Maker
Chairman Dr J M Owen, Managing Director G R Southern
Registered Office: 41 Lothbury, London EC2P 2BP

**National Westminster Financial Futures Limited**, Worldwide Financial Futures and Options Broker
Chairman Dr J M Owen, Managing Director and Controller J Jarvis
Registered Office: 41 Threadneedle Street, London EC2R 8AP

**NatWest Capital Markets Limited**, Capital Markets Activities as Agent of the Bank
Chairman Dr J M Owen, Managing Director G R Southern
Registered Office: 41 Lothbury, London EC2P 2BP

**National Westminster Bank of Canada**, Banking Services
Chairman of the Board The Hon A W Gillespie PC, President A S Yankovich
Secretary and Controller D T Aylward
Head Office: Suite 2060 South Tower, P O Box 10, Royal Bank Plaza, Toronto, Ontario, Canada M5J 2J1

**National Westminster (Hong Kong) Limited**, Medium Term Finance
Chairman J W Melbourn, Director and General Manager R A P Butcher
23rd Floor, 1 Exchange Square, 8 Connaught Place, Hong Kong

## Support Services

**Subsidiaries**

**Centre-file Limited**, Computer Services
Chairman A Morris, Managing Director J M Graycon
Head Office: 75 Leman Street, London E1 8EX

**NatWest Estate Management and Development Limited**, Property and Development Company
Chairman A Morris
Head Office: 135 Bishopsgate EC2 3UR

**Principal Associates**

**BACS Limited** (21.8%), Provision of Automated Clearing Services

**BCH Property Limited** (34.5%), Property Investment Company

## Group Structure,
## Investment Banking Services

**Principal UK Subsidiaries**

**NatWest Investment Bank Limited**
Chairman and Chief Executive J H Macdonald

**County NatWest Limited,** Corporate Finance, Ventures, Equities, Finance
Chairman and Chief Executive J H Macdonald
Head Office 135 Bishopsgate, London EC2M 3UR

**County NatWest Investment Management Limited**
Chief Executive N Lester
Fenchurch Exchange, 43-44 Crutched Friars, London, EC3N 2NX

**County NatWest Securities Limited**
Chief Executive I C Ferguson
135 Bishopsgate, London EC2M 3XT

**County NatWest Ventures Limited**
Managing Director D Shaw
135 Bishopsgate, London EC2M 3UR

**Regional Offices**

**Birmingham, County NatWest Limited**
Regional Director K G White
Wellesley House, 37 Waterloo Street, Birmingham B2 5TJ

**Leeds, County NatWest Limited**
Regional Director J M B Frank
Lion House, 41 York Place, Leeds LS1 2ED

**Manchester, County NatWest Limited**
Regional Director J Moran
Clarence House, Clarence Street, Manchester M2 4DW

**Edinburgh, County NatWest Securities Limited**
Incorporating Wood Mackenzie & Co. Limited
Director J Lafferty
Kintore House, 74-77 Queen Street, Edinburgh EH2 4NS

**County NatWest Ventures Limited**
Director P M Smaill
Kintore House, 74-77 Queen Street, Edinburgh EH2 4NS

**County NatWest Ventures Limited**
Director A Lewis
40 Queen Square, Bristol BS1 4LE

**Principal Overseas Subsidiaries**

**United States**

**County NatWest Inc,** Mergers and Acquisitions, Corporate Advice and Finance, Equity Research, Sales and Trading
Director A Kirsch
100 Wall Street, New York, NY 10005, USA

**County NatWest Investment Management Limited**
100 Wall Street, New York, NY 10005, USA

**Washington Analysis Corporation**
1612 K Street NW, Washington, DC 20006, USA

**Switzerland**

**County NatWest Securities Limited**
Director P Wymann
Limmatquai 112, 8001 Zurich, Switzerland

**County NatWest Securities Limited**
Director G Jaques-Dalcroze
7 rue du Rhône, Case Postale 293, 1211 Geneva 11, Switzerland

**Germany**

**County NatWest Securities Limited**
Director A Sommer
Maximiliansplatz 16, 8000 Munich 2, Germany

**Belgium**

**County NatWest Securities Limited**
Director I Fuhrmann
Boulevard de l'Empereur 5, Bte 1, B-1000 Brussels, Belgium

**France**

**Sellier S.A**
Director P Poupon
12 rue d'Uzès, 75002 Paris, France

**Australia**

**County NatWest Australia Limited,** Corporate Advice and Finance, Equity Sales, Trading and Research, Government Bond Sales and Trading
Director P J Hall
Level 16, Grosvenor Place, 225 George Street, Sydney NSW 2000, Australia

**County NatWest Securities Australia Limited**
Level 15, Grosvenor Place, 225 George Street, Sydney NSW 2000, Australia

**County NatWest Securities Australia Limited**
Level 17, 360 Collins Street, Melbourne, Victoria 3000, Australia

**County NatWest Australia Investment Management Limited**
Level 38, State Bank Centre, 385 Bourke Street, Melbourne, Victoria 3000, Australia

**Hong Kong**

**County NatWest Securities Asia Limited**
Director D Guest
5th Floor, St George's Building, 2 Ice House Street, Central Hong Kong

**County NatWest Asia Investment Management Limited**
5th Floor, St George's Building, 2 Ice House Street, Central Hong Kong

**Japan**

**County NatWest Securities Japan Limited**
Branch Manager W Evans
AIU Building, 1-3 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100, Japan

**County NatWest Investment Management Japan Limited**
AIU Building, 1-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100, Japan
Managing Director Iwao Katsushima

## Shareholder Information

**Capital Gains Tax**

The market value of a 7 per cent (now 4.9 per cent plus tax credit) Cumulative Preference Share of £1 each of the Bank at 31 March 1982 was 48.5p. The market value of an Ordinary Share of £1 of the Bank at 31 March 1982 was 412p. However, the Bank made rights issues of Ordinary Shares in August 1984 (on the basis of one new Ordinary Share at 200p for every two Ordinary Shares held) and June 1986 (on the basis of one new Ordinary Share at 200p for each Ordinary Share held); and also made a capitalisation issue in June 1989 (on the basis of one new Ordinary Share for each existing Ordinary Share held). For capital gains tax purposes the acquisition cost of Ordinary Shares is adjusted to take account of rights and capitalisation issues. Any capital gain arising on a disposal will also be adjusted to take account of indexation allowances. Since the adjustments will depend on the individual circumstances of shareholders, shareholders are recommended to consult their professional advisers. Alternatively, further information may be obtained by writing to:

National Westminster Bank PLC
Financial and Investment Services
Chief Office
PO Box 394
Castlegate House
Tower Hill
Bristol BS99 7WW

**Financial Calendar 1991**

Annual General Meeting
23 April 1991 at 11 am
National Westminster Hall
15 Bishopsgate
London EC2P 2AP

Results and Dividends
Ordinary Shares
1990 Final announced 26 February payable 14 May
1991 Interim to be announced on 6 August payable 11 October
Preference Shares payable February and August

**Registered Office**

41 Lothbury
London EC2P 2BP
Registered in England No.929027

Member of IMRO

**Registrar**

National Westminster Bank PLC
Registrar's Department
PO Box No 82
Caxton House
Redcliffe Way
Bristol BS99 7NH