

The profit on ordinary activities before tax was £618 million; the Directors propose a final dividend of 7.0 pence per share, making a full dividend for 1991 of 10.5 pence per share.



Directors' Report and Accounts 1991

SHAREHOLDER

Directors' Report and Accounts 1991

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Abbey National plc, Registered Number: 2294747
Abbey House, Baker Street London NW1 6XL

Directors' Report

The Directors have pleasure in presenting their report for Abbey National plc for the year ended 31 December 1991.

Principal activities

The principal activity of the Group continues to be the provision of an extensive range of personal financial services. Note 16 to the accounts on page 22 provides details of the principal subsidiaries and their operations.

Results and dividends

The profit on ordinary activities before tax of the Group for the year ended 31 December 1991 was £618 million (1990 £582 million).

An interim dividend of 3.5 pence per share was paid on 14 October 1991 (1990 3.15 pence per share). This equates to a total of 4.67 pence per share (1990 4.20 pence per share) with the related tax credit.

The Directors propose a final dividend for the year of 7.00 pence per share (1990 6.35 pence per share) to be paid on 11 May 1992. With the related tax credit this is equivalent to 9.33 pence per share (1990 8.47 pence per share).

The dividends for the year absorb a total of £138 million, leaving profits of £276 million to be retained.

Business review

Against difficult economic conditions and a depressed housing market, Abbey National continued to focus on its traditional business of providing a range of personal financial services. Particular attention has been devoted to the quality of lending and additional resources have been applied to counsel those mortgage borrowers who faced difficulty in meeting their payments. During the year, Abbey National continued with the programme of improvement to its branch network and information technology systems to provide efficient and competitive customer services.

The majority of the Group's income derives from its core savings and mortgage businesses together with its Treasury Operations. Other related activities include personal unsecured lending, banking services, life and general insurance sales, housing development and estate agency.

The turnover of the non-banking businesses derives principally from estate agency operations, which had a turnover of £54 million and a pre-tax loss for the year which amounted to £19 million, and from housing development which had a turnover of £25 million and a pre-

tax loss for the year of £24 million. It has been decided that no new development schemes will be entered into by Abbey National Homes Limited.

Future activities

With effect from 1 January 1992, Abbey National acquired for a consideration of £285 million the business of The Scottish Mutual Assurance Society. This acquisition will form the basis of a significant expansion into life assurance as part of Abbey National's strategy for increasing its range of personal financial services.

In addition, the Group has incorporated a separate life assurance subsidiary, Abbey National Life plc, which will market a range of branded life assurance products directly to Abbey National's customers. It is anticipated that this company will commence business in early 1993 following the termination of the existing tied-agency arrangement with Friends Provident. Abbey National Life will be provided with administration, investment management and systems support from Scottish Mutual.

Abbey National will also cautiously continue to expand its presence in continental Europe.

Employees

The Group's employment policies are based on equal opportunities for all staff irrespective of sex, race, religion or colour.

Wherever possible, the Group's policy is to encourage and assist the employment of disabled people, their recruitment, training, career development and promotion, and to retain employees who have become disabled. The sole criterion applied in considering applications from disabled people is, as far as practicable, their ability to do the job, albeit by provision of special aids and equipment. The Company continues its commitment to an active programme of employee communication, using a wide variety of media. In addition to existing video programmes and in-house journals, a series of "roadshows" allows staff to put questions directly to senior managers.

The Share Participation Scheme approved at the 1990 Annual General Meeting was introduced, with the first shares allocated in April 1991. A second invitation to employees to participate in the Company's Sharesave Scheme was made following the announcement of the 1991 interim results.

Following adoption of the Abbey

National Executive Share Option Scheme at the last Annual General Meeting, share options were granted during 1991 to Executive Directors and other Senior Executives.

The Group continues to make substantial investments in training and development.

Details of the number of employees and their remuneration are set out in notes 4 and 6 to the accounts on pages 18 and 19.

Share capital

The authorised and issued share capital of the Company are detailed in note 24 to the accounts on page 27.

During the year, 9,162 ordinary shares were issued on the exercise of options under the Sharesave Scheme and 308,283 shares were issued under the terms of the Share Participation Scheme.

Tangible fixed assets

The movements in tangible fixed assets are set out in note 18 to the accounts on page 24.

Market value of land and buildings

The Directors believe that the open market value of the Group's land

and buildings exceeds the net book value of £240 million, as disclosed in note 18 to the accounts, by approximately £80 million.

Charitable and political contributions

The Company is committed to a programme of support for areas of need in the wider community. The total value of this support in 1991 was just over £1 million in cash and benefits in kind. The £600,000 of cash donations were channelled to charity projects, mostly through Abbey National Charitable Trust Ltd. Other support included secondments and other staff involvement, sponsorships, youth training and employment and enterprise initiatives worth an estimated £430,000 in total. No contributions were made for political purposes.

Directors and Directors' interests

Sir Campbell Adamson retired as Chairman and as a director on 30 June 1991 and Dame Jennifer Jenkins retired as a director on 22 April 1991. Sir Christopher Tugendhat was appointed to the Board as joint Deputy Chairman on 1 June 1991 and Chairman with effect from 1 July 1991. Upon the acquisition of The Scottish Mutual

Assurance Society, Allan Denholm and Douglas Patrick were appointed to the Abbey National Board with effect from 1 January 1992. The directors appointed by the Board since the last Annual General Meeting will retire and, being eligible, offer themselves for election.

All other directors listed on pages 8 and 9 have served on the Board for the whole of the year to 31 December 1991. Peter Birch, John Fry, Michael Heap and Martin Llowarch will retire by rotation at the Annual General Meeting. All being eligible, offer themselves for re-election, with the exception of Michael Heap who is not seeking re-election. Sir John Garlick who has reached the age of 70, will retire at the conclusion of the Annual General Meeting.

None of the directors seeking re-election has a service contract with the Company or any of its subsidiaries which is terminable at more than twelve months' notice.

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

Details of all the directors are to

be found on pages 8 and 9 of this document.

Directors' interests in the shares of the Company and options to acquire shares are set out in note 31 to the accounts on page 31.

Directors' liability insurance

During the year, the Company arranged insurance cover for directors' and officers' liability, as permitted by Section 310(3) of the Companies Act 1985.

Close company provisions

The Company is not a close company as defined by the Income and Corporation Taxes Act 1988.

Substantial shareholdings

No interest in 3% or more of the issued share capital has been notified to the Company.

Auditor

A resolution to reappoint Coopers & Lybrand Deloitte as the Company's auditor will be proposed at the Annual General Meeting.

Annual General Meeting

Details of the business of the Annual General Meeting can be found in the

accompanying booklet entitled "Notice of Annual General Meeting 1992".

By Order of the Board

I K Treacy, Group Secretary

2 March 1992

The Board

Sir Christopher Tugendhat *Chairman**
Appointed joint Deputy Chairman on 1 June 1991 and Chairman on 1 July 1991. He is also Chairman of the Royal Institute of International Affairs (Chatham House) and a non-executive Director of The BOC Group plc, LWT (Holdings) plc and Eurotunnel plc.

Formerly a Member of Parliament, he was a Member of the European Commission (1977 to 1981) and thereafter Vice-President of the Commission of the European Communities (1981-1985). Prior to his appointment to the Board of Abbey National, he was Chairman of the Civil Aviation Authority and Deputy Chairman of National Westminster Bank. Aged 55.

Peter Davis FCA *Deputy Chairman***
Appointed to the Board in 1982, he became non-executive Deputy Chairman in 1988. He is currently Deputy Chairman of Sturge Holdings PLC. Aged 50.

Peter Birch FCBSI *Group Chief Executive* **
Before joining the Group in 1984 as Chief Executive, he was with Gillette from 1965 to 1984 and was Managing

Director of their UK operations from 1981 to 1984. He is a non-executive Director of Hoskyns Group plc and Argos plc and was Chairman of the Council of Mortgage Lenders during 1991. Aged 54.

Richard Haglin *Managing Director, New Businesses**
After joining the Group in 1964, he became a General Manager in 1981 and was appointed to the Board in 1988. Aged 49.

John Bayliss FCBSI *Managing Director, Retail Operations**
He joined the Group in 1957, has held a number of executive positions and was appointed to the Board in 1984. He is also Chairman of the Broomleigh Housing Association and a Director of House the Homeless of London PLC and House the Homeless of London (Westminster) Companies. Aged 58.

Allan Denholm CBE CA
Appointed to the Board in January 1992. He is Deputy Chairman of Scottish Mutual Assurance plc and a Director of William Grant & Sons Ltd and Chairman of East Kilbride Development Corporation. Aged 55.

John Fry FCIS FCBSI *Group Services Director***
Since joining the Group in 1961, he has held a number of senior executive positions. He became a General Manager in 1979 and was appointed to the Board in 1984. Aged 55.

Sir John Garlick KCB+
Appointed to the Board in 1981. He is a member of the London Docklands Development Corporation and was formerly Permanent Secretary at the Department of the Environment. Aged 70.

Michael Heap FCBSI
A Board member since 1986, he was a Branch Manager with Abbey National from 1963 to 1985. Aged 57.

Martin Llowarch FCA+
A Board member since 1989. He is a non-executive Director of Hickson International plc and Transport Development Group plc. His past appointments include Director and Chief Executive of British Steel plc. Aged 56.

Sara Morrison
Formerly a Director from 1979 to 1986, she rejoined the Board in 1987. She is

also a Director of the General Electric Company plc and a non-executive Director of Carlton Television Holdings Ltd. Aged 57.

Douglas Patrick FFA Chief Executive, Scottish Mutual Assurance plc*
Appointed to the Board in January 1992. He joined The Scottish Mutual Assurance Society in 1960 and has held a number of executive positions with the Society including appointment as Director in 1988 and Chief Executive in 1990. Aged 49.

The Lord Rockley†
Joined the Board in 1990. He is Vice-Chairman of the Kleinwort Benson Group plc and a non-executive Director of Christie's International plc, The Foreign and Colonial Investment Trust PLC and FR Group plc. Aged 57.

James Tuckey FRICS*
James Tuckey was appointed a Director in 1990. He is also Managing Director of MEPC plc. Aged 45.

James Tyrrell FCA Group Finance Director*
Joined the Group in 1982 from Thorn EMI plc where he was Managing

Director of HMV Shops. He was appointed to the Board in 1989. He is also a non-executive Director of The Boddington Group plc. Aged 50.

Charles Villiers FCA Managing Director, Corporate Development*
A Board Member since 1989. He was formerly the Chief Executive of NatWest Investment Bank Ltd, an Executive Director of National Westminster Bank plc and the Chairman of County NatWest Ltd. Aged 51.

Sir Campbell Adamson retired from the Board on 30 June 1991 after serving as Chairman since 1978. Dame Jennifer Jenkins retired from the Board at the conclusion of the 1991 Annual General Meeting.

*** Executive Directors**

† Audit Committee Member

*** Personnel Policy Committee Member**

If the dates of appointment to the Board are before 12 July 1989, then these dates refer to appointments to the Board of Abbey National Building Society, the predecessor of Abbey National plc. All those Directors concerned were appointed to the Board of Abbey National plc on 28 February 1989.

Auditor's Report

to the Members of Abbey National plc

We have audited the accounts on pages 11 to 31 in accordance with Auditing Standards.
In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1991 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte
Chartered Accountants and
Registered Auditor
London
2 March 1992

Consolidated Profit and Loss Account

for the year ended 31 December 1991


	1991 £m	1990 £m	Notes
Interest receivable	5,851	5,915	1
Interest payable	(4,708)	(4,959)	2
Net interest receivable	1,143	956	
Other income and charges	265	189	3
Operating expenses	(635)	(508)	4
Provisions for loans and advances	(155)	(55)	7
Profit on ordinary activities before tax	618	582	
Tax on profit on ordinary activities	(204)	(205)	8
Profit on ordinary activities after tax	414	377	9
Dividends	(138)	(125)	10
Retained profit for the year	276	252	25
Earnings per share	31.6p	28.8p	11

Consolidated Balance Sheet

at 31 December 1991

Notes		1991 £m	1990 £m
	<i>Liquid assets and securities</i>		
12	Cash and short term funds	5,193	4,035
13	Securities and investments	9,995	6,113
		<u>15,188</u>	<u>10,148</u>
	<i>Commercial assets</i>		
	Advances secured on residential property	37,867	34,044
	Other advances secured on land	639	678
14	Net investment in finance leases	729	104
15	Other commercial assets	451	292
		<u>39,686</u>	<u>35,118</u>
17	Long term investments	1,249	385
18	Tangible fixed assets	489	354
	Other assets	793	491
	<i>Total assets</i>	<u>57,405</u>	<u>46,496</u>
	<i>Deposits and loans</i>		
19	Retail funds and deposits	32,711	29,735
20	Non-retail funds and deposits	19,642	12,440
		<u>52,353</u>	<u>42,175</u>
	<i>Dividend proposed</i>	92	83
21	Other liabilities	1,539	1,297
22	Provisions for liabilities and charges	61	5
23	Subordinated liabilities	388	233
	Minority interests	1	4
	<i>Total liabilities</i>	<u>54,434</u>	<u>43,797</u>
24	Share capital	131	131
	Share premium	834	834
25	Profit and loss account	2,006	1,734
	<i>Shareholders' funds</i>	<u>2,971</u>	<u>2,699</u>
	<i>Total liabilities and shareholders' funds</i>	<u>57,405</u>	<u>46,496</u>

Approved by the Board on 2 March 1992 and signed on its behalf by:


Sir Christopher Tugendhat
Chairman


Peter Birch
Group Chief Executive


James Tyrrell
Group Finance Director


Company Balance Sheet


at 31 December 1991

	1991 £m	1990 £m	Notes
<i>Liquid assets and securities</i>	146	188	12
Cash and short term funds	294	46	13
Securities and investments	440	234	
<i>Commercial assets</i>	37,241	33,566	
Advances secured on residential property	308	400	
Other advances secured on land	15	11	15
Other commercial assets	37,564	33,977	
<i>Investments in subsidiaries</i>	2,626	977	16
Long term investments	1	1	17
Tangible fixed assets	461	300	18
Other assets	298	177	
<i>Total assets</i>	41,390	35,666	
<i>Deposits and loans</i>	32,302	29,339	19
Retail funds and deposits	521	282	20
Non-retail funds and deposits	32,823	29,621	
<i>Dividend proposed</i>	92	83	
<i>Other liabilities</i>	5,240	3,089	21
<i>Subordinated liabilities</i>	233	83	23
<i>Total liabilities</i>	38,388	32,876	
<i>Share capital</i>	131	131	24
<i>Share premium</i>	834	834	
<i>Profit and loss account</i>	2,037	1,825	25
<i>Shareholders' funds</i>	3,002	2,790	
<i>Total liabilities and shareholders' funds</i>	41,390	35,666	

Approved by the Board on 2 March 1992 and signed on its behalf by:


Sir Christopher Tugendhat
Chairman


Peter Birch
Group Chief Executive


James Tyrrell
Group Finance Director

Consolidated Statement of Source and Application of Funds

for the year ended 31 December 1991

	1991 £m	1990 £m
<i>Source of funds</i>		
Increase in free capital (see below)	314	151
Advances and loans repaid by borrowers	3,564	3,232
Net receipts of deposits and loans	10,178	8,500
Other items	307	600
<i>Total source of funds</i>	<u>14,363</u>	<u>12,483</u>
<i>Application of funds</i>		
Increase in liquid assets and securities	5,040	3,324
Increase in long term investments	864	384
Advances and loans made to borrowers	7,437	8,560
Increase in other assets	1,022	215
<i>Total application of funds</i>	<u>14,363</u>	<u>12,483</u>
<i>Increase in free capital</i>		
<i>Source of funds</i>		
Profit on ordinary activities after tax	414	377
Adjustments for items not involving the movement of funds:		
Depreciation of tangible fixed assets	67	34
Increase in general provisions for loans and advances	25	14
<i>Funds generated from operations</i>	<u>506</u>	<u>425</u>
<i>Funds from other sources</i>		
Disposal of tangible fixed assets	7	2
Issue of subordinated loan capital	155	-
Exchange differences	1	-
Increase in minority interests	-	1
	<u>669</u>	<u>428</u>
<i>Application of funds</i>		
Purchase of tangible fixed assets	(209)	(136)
Goodwill	(5)	(3)
Acquisition of minority interests	(3)	-
Dividends	(138)	(125)
Decrease in subordinated loan capital	-	(12)
Exchange differences	-	(1)
<i>Increase in free capital</i>	<u>314</u>	<u>151</u>

Accounting Policies

Basis of presentation

The consolidated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to banking companies and banking groups.

Accounting convention

The Group prepares its accounts under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The Group accounts comprise the accounts of the Company and its subsidiaries made up to 31 December, with the exception of Abbey National North America Corporation whose accounts are made up to 30 June to comply with local legislation and a number of leasing and investment subsidiaries which, because of commercial considerations, have various accounting reference dates. The accounts of these subsidiary companies have been consolidated on the basis of interim accounts for the year to 31 December 1991.

Goodwill

Goodwill arising on consolidation as a result of the acquisition of subsidiaries and goodwill arising on the purchase of businesses are charged directly to reserves in the year in which they occur.

Deferred taxation

Deferred tax is accounted for only where it is probable that a liability or asset will arise. Provision is made at rates expected to be applicable when the liability or asset crystallises.

Depreciation

Fixed assets are depreciated on a straight line basis at the following annual rates:

Premises

Freehold buildings	1%
Long and short leasehold premises	Over the remainder of the lease, with a maximum of 100 years. Acquisition premiums are depreciated over the period to the next rent review.

Equipment

Office fixtures, equipment and furniture	12.5%
Computer equipment:	
Mainframe	25%
Peripheral	20%
Motor vehicles	25%

No depreciation is provided on freehold land.

Interest receivable

Credit is deferred in respect of a proportion of interest due but not received on certain mortgage accounts in arrears where recovery is doubtful.

Securities and investments

Dated securities held for investment purposes are stated at cost adjusted for the amortisation of any premium or discount on an appropriate basis over their estimated lives. Provision is made for any permanent diminution in value.

Certain fixed interest investments are held within an internal investment fund which has a planned maturity.

Accounting Policies

Continued

Profits and losses arising on transactions within the fund are spread evenly over the period to maturity of the fund. All other profits and losses on securities and investments are dealt with in the profit and loss account as these arise.

Securities held for dealing purposes are included at market value.

Provisions for loans and advances

Specific provisions are made against loans and advances when, as a result of a detailed year end appraisal of the assets, it is considered that recovery is doubtful. A general provision is made against loans and advances to cover bad and doubtful debts which have not been separately identified but which are known from experience to be present in any portfolio of loans and advances. The specific and general provisions are deducted from loans and advances. Provisions made during the year, less amounts released and recoveries of amounts written off in previous years, are charged against profits. Where interest on doubtful loans and advances is credited to the profit and loss account, provision is made as appropriate.

Equipment leased to customers

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. The net investment in finance leases represents total minimum lease payments less gross earnings allocated to future periods. Income from finance leases, including benefits from declining tax rates, is credited to profit and loss using the actuarial after tax method to give a constant periodic rate of return on the net cash investment.

Development properties

Completed properties and work in progress are valued at the lower of cost and net realisable value. Cost comprises land purchase costs, building works thereon and interest.

Long term investments

Long term investments are stated at cost adjusted for amortisation of any premium or discount on an appropriate basis over their estimated lives. Provision is made for any permanent diminution in value. Income is recognised when receivable.

Foreign currency translation

Income and expenses arising in foreign currencies during the year are translated into sterling at the average rates of exchange ruling over the accounting period. Assets and liabilities in foreign currency are translated into sterling at the rates of exchange current at the balance sheet date. Differences arising on the translation of opening net assets of overseas subsidiaries are dealt with through reserves as are those differences resulting from the restatement of their profits and losses from average to year-end rates. All other translation differences are dealt with through the profit and loss account.

Pensions

Where pensions are provided by means of a funded defined benefits scheme, annual contributions are based on actuarial advice. The expected cost of providing pensions is recognised on a systematic basis over the expected average remaining service lives of members of the schemes.

Other assets and other liabilities

Accrued interest on investments and on non-retail funds and deposits is included in other assets and other liabilities respectively.

Notes to the Accounts

1. Interest receivable

	1991 £m	1990 £m
On secured advances	4,513	4,802
On other lending	70	50
Interest and other income on:		
Fixed interest liquid assets, securities and investments	745	652 642
Other liquid assets, securities and investments	480	423 433
Net losses on liquid assets	(1)	(13)
Income receivable from finance leases	44	1
	<u>5,851</u>	<u>5,915</u>

Including:

Income from listed and registered investments	751	462
Income from unlisted investments	473	600

Interest due but not received of £45m (1990: £8m) on certain mortgage accounts in arrears has not been recognised in interest receivable.

2. Interest payable

On retail funds and deposits	3,209	3,601
On non-retail funds and deposits	1,499	1,358
	<u>4,708</u>	<u>4,959</u>
Including payable on borrowings with a maturity greater than five years	54	49

3. Other income and charges

Commissions receivable	133	105
Commissions payable	(15)	(12)
Dividend income	40	—
Other financial income	65	58
Rent receivable	6	5
Other	36	33
	<u>265</u>	<u>189</u>

Dividend income is shown after amortisation of the relevant unlisted securities. This amortisation amounts to £50m (1990: Nil)

Notes to the Accounts

Continued

4. Operating expenses

Staff costs:

	1991 £m	1990 £m
Salaries and wages	235	198
Social security costs	19	16
Other pension costs	16	10
Other staff costs	<u>23</u>	<u>22</u>
	293	246
Depreciation of tangible fixed assets	67	34
Hire of equipment	9	17
Finance charges in respect of leased assets	4	-
Rent and rates payable	47	34
Other expenses	209	177
Exceptional item - provision for contribution to Deposit Protection Fund	6	-
	<u>635</u>	<u>508</u>

The figure for other expenses includes £1.0m (£0.9m) for auditors' remuneration.

5. Directors' emoluments

The aggregate emoluments of directors were:

	1991 £000	1990 £000
In respect of services as directors	350	296
Other emoluments	1,081	784
Ex-gratia gifts to former directors	36	-
	<u>1,467</u>	<u>1,080</u>

The total emoluments of the Chairmen were £159,625 (£108,193). Of this £64,469, excluding pension contributions, is attributable to Sir Campbell Adamson for the period 1 January to 30 June. £95,156 is attributable to Sir Christopher Tugendhat for the remainder of the year. This represents basic salary and benefits out of which he makes his own pension arrangements since his appointment is non-pensionable. The emoluments, excluding pension contributions, of the highest paid director were £261,906 (£191,806).

Notes to the Accounts

Continued

The following table shows the number of other directors receiving emoluments, before pension contributions, within the undermentioned ranges.

	1991	1990
£0 - £5,000	-	1
£5,001 - £10,000	1	1
£10,001 - £15,000	-	5
£15,001 - £20,000	6	2
£20,001 - £25,000	-	1
£25,001 - £30,000	1	-
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	-	1
£45,001 - £50,000	-	1
£50,001 - £55,000	-	1
£55,001 - £60,000	-	2
£60,001 - £65,000	1	-
£65,001 - £70,000	2	-
£70,001 - £75,000	1	-
£75,001 - £80,000	1	-

Pensions to former directors amounted to £87,572 (£21,837).

6. Employees

The average number of staff employed by the Group during the year was as follows:

	1991	1990
<i>Full time</i>		
Chief administrative offices	4,063	3,532
Branch offices	9,619	9,127
	13,682	12,659
<i>Male</i>	4,117	3,761
<i>Female</i>	9,565	8,898
	13,682	12,659
<i>Part time</i>		
Chief administrative offices	472	378
Branch offices	3,999	3,634
	4,471	4,012
<i>Male</i>	109	126
<i>Female</i>	4,362	3,886
	4,471	4,012

Notes to the Accounts

Continued

7. Provisions for loans and advances

	On advances secured on residential property £m	On other advances secured on land £m	On unsecured loans £m	Total £m
Group				
At 1 January 1991	20	2	5	27
General	30	15	20	65
Specific	117	10	28	155
Transfer from profit and loss account	(48)	(1)	(11)	(60)
Irrecoverable amounts written off	119	26	42	187
At 31 December 1991				
Being for the Group:				
General	44	2	6	52
Specific	75	24	36	135
Including for the Company:				
General	34	1	2	37
Specific	63	18	14	95

8. Tax on profit on ordinary activities

	1991 £m	1990 £m
UK Corporation tax	183	218
Current at 33.25% (1990: 35%)	24	(15)
Deferred	(8)	-
Prior year overprovision	5	2
Overseas taxation	204	205

9. Profit on ordinary activities after tax

The profit of the Company after tax, attributable to the shareholders, is £350m (£377m). As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these accounts.

10. Dividends

Dividends include the interim dividend paid of 3.50 (3.15) pence per share and the final dividend now proposed of 7.00 (6.35) pence per share.

11. Earnings per share

Earnings per ordinary share are calculated by dividing the consolidated profit after tax of £414m (£377m) by the average number of ordinary shares in issue of 1,310m.

12. Cash and short term funds

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Cash in hand and with central banks	324	349	145	187
Money at call and short notice	1,969	1,213	1	1
Treasury and other bills discounted	746	1,031	-	-
Certificates of deposit	2,154	1,442	-	-
	5,193	4,035	146	188

Notes to the Accounts

Continued

13. Securities and investments

Remaining maturity of:

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Not more than one year	370	25	162	20
More than one year but not more than five years	3,310	951	12	10
More than five years	5,933	5,081	43	10
No specific maturity	382	56	77	6
	<u>9,995</u>	<u>6,113</u>	<u>294</u>	<u>46</u>
Being:				
UK Government securities	201	-	201	-
Registered securities issued or guaranteed by US Federal Government agencies	1,948	2,914	-	-
Other listed investments:				
UK	3,223	1,326	-	-
Overseas	3,934	1,394	-	-
Unlisted investments	689	479	93	46
Including total listed and registered investments of	9,306	5,634	201	-
Aggregate market value of these listed and registered investments	9,616	5,638	203	-

There are hedges in place in respect of a number of securities. Consequently the rise in their market value is offset by a corresponding reduction in the value of the hedges.

Fixed interest securities and bills held within the investment fund amount to £1,068m (£1,210m) including an unamortised loss of £25m (£41m).

Included in unlisted investments are 100% of the preference shares of ACP Treasury Ltd, which is incorporated in Jersey.

The presentation of securities and investments in this note and in note 17 has been changed in 1991 in order to give improved disclosure. The comparatives have been restated on the same basis.

14. Net investment in finance leases

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Amounts receivable	1,572	312	-	-
Less: deferred income	843	208	-	-
	<u>729</u>	<u>104</u>	<u>-</u>	<u>-</u>
Cost of assets acquired for the purpose of letting under finance leases in the year	636	104	-	-
Gross rentals receivable	59	1	-	-
Amounts outstanding subject to a sub-participation	13	-	-	-

Notes to the Accounts

Continued

15. Other commercial assets

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Unsecured loans	278	214	15	11
Residential development properties	65	78	—	—
Collateralised mortgage loans	108	—	—	—
	451	292	15	11

The figure for residential development properties includes completed properties of £49m (£41m), and work in progress of £16m (£37m).

The collateralised mortgage loans are held as investments by Abbey National Treasury Services plc.

16. Investments in subsidiaries

	Company	
	1991 £m	1990 £m
Shares	619	311
Loans	1,707	666
Capital contribution	300	—
	2,626	977

The increase in shares relates mainly to the formation of Scottish Mutual Assurance plc for £295m with effect from 25 September 1991 which in turn purchased the business of The Scottish Mutual Assurance Society on 1 January 1992 for £285m, and to the acquisition of a 28% minority holding in Abbey National Bank SAE for £7m on 30 October 1991. The increase in loans principally reflects the funding of Abbey National Investment Holdings Ltd. In addition a capital contribution was made to Abbey National Treasury Services plc of £300m.

The principal subsidiary companies of Abbey National plc at 31 December 1991 are listed below, all of which are directly held except for Abbey National (Overseas) Limited, Abbey National (Gibraltar) Limited and Scottish Mutual Assurance plc which are held indirectly through subsidiary companies.

	Nature of business	Country of incorporation or registration
Abbey National Treasury Services plc	Treasury Operations	England & Wales
Abbey National Estate Agency Ltd	Estate Agency	England & Wales
Abbey National Homes Ltd	Housing Development	England & Wales
Abbey National Personal Finance Ltd	Personal Finance	England & Wales
Abbey National Financial Services Ltd	Personal Finance	England & Wales
Abbey National Investment Holdings Ltd	Investment	England & Wales
FicoFrance SA	Personal Finance	France
Abbey National (Gibraltar) Ltd	Personal Finance	Gibraltar
Abbey National Mutui SpA	Personal Finance	Italy
Abbey National (Overseas) Ltd	Personal Finance	Jersey
Scottish Mutual Assurance plc	Insurance	Scotland
Abbey National Bank SAE	Personal Finance	Spain
Cornerstone Espana SA	Estate Agency	Spain
Abbey National North America Corporation	Treasury Operations	United States

The Company holds 100% of the issued ordinary share capital of its major subsidiary companies except for Cornerstone Espana SA in which it has an 85% interest and Abbey National Bank SAE in which it has a 94% interest.

All companies operate in their country of incorporation or registration. Abbey National (Gibraltar) Ltd also operates in Spain and Portugal.

Notes to the Accounts

Continued

17. Long term investments

	1991 £m	1990 £m
Group		
Securities and investments	1,189	385
Net investment in property finance lease	60	—
	<u>1,249</u>	<u>385</u>
Securities and investments:		
Remaining maturity of more than five years	1,187	383
No specific maturity	2	2
	<u>1,189</u>	<u>385</u>
Being:		
UK listed investments	1	1
Unlisted investments	1,188	384
	<u>1</u>	<u>1</u>
Aggregate market value of the listed investments		
Cost of asset acquired for the purpose of letting under finance lease in the year	60	—
Company		
Trade investments	1	1
Trade investments are stated at directors' valuation.		

Notes to the Accounts

Continued

18. Tangible fixed assets

	Group			Company		
	Premises £m	Equipment £m	Total £m	Premises £m	Equipment £m	Total £m
Cost						
At 1 January 1991	233	271	504	198	241	439
Additions	39	170	209	39	149	188
Transfers from group company	—	—	—	24	12	36
Disposals	(2)	(13)	(15)	(1)	(10)	(11)
At 31 December 1991	270	428	698	260	392	652
Depreciation						
At 1 January 1991	25	125	150	23	116	139
Charge for the year	5	62	67	4	54	58
Disposals	(—)	(8)	(8)	—	(6)	(6)
At 31 December 1991	30	179	209	27	164	191
Net book value						
At 31 December 1991	240	249	489	233	228	461
At 31 December 1990	208	146	354	175	125	300

The net book value of premises comprises:

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Freeholds	186	166	185	139
Long leaseholds	11	10	11	10
Short leaseholds	43	32	37	26

The net book value of equipment includes:

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Assets held under finance leases	37	—	36	—
Depreciation charge for the year on these assets	13	—	13	—

Capital expenditure which has been contracted, but has not been provided in the accounts

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Capital expenditure which has been contracted, but has not been provided in the accounts	19	34	19	33
Capital expenditure which has been authorised by the Directors, but has not yet been contracted	26	28	26	27

Notes to the Accounts

Continued

19. Retail funds and deposits

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Repayable on demand	32,351	29,477	32,212	29,324
Repayable:				
In not more than three months	360	243	90	—
In more than one year but not more than five years	—	15	—	15
	<u>32,711</u>	<u>29,735</u>	<u>32,302</u>	<u>29,339</u>

20. Non-retail funds and deposits

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Amounts owed to other banks	7,411	3,515	46	—
Time deposits	893	717	—	—
Certificates of deposit	4,048	2,664	—	—
Other deposits	2,693	2,581	463	271
Bonds and notes	4,597	2,963	12	11
	<u>19,642</u>	<u>12,440</u>	<u>521</u>	<u>282</u>
Bonds and notes are repayable:				
In not more than one year	1,287	418	—	—
Between one and two years	996	327	9	—
Between two and five years	2,058	1,948	—	8
In more than five years *	256	270	3	3
	<u>4,597</u>	<u>2,963</u>	<u>12</u>	<u>11</u>

* These loans represent bond issues at wholesale market rates redeemable between 1997 and 2002.

Notes to the Accounts

Continued

21. Other liabilities

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Income tax	285	351	283	346
Corporation tax	249	188	243	171
Other taxation and social security costs	8	7	6	5
Amounts due to subsidiaries	-	-	4,464	2,421
Items in the course of transmission to other banks	39	-	39	-
Other creditors	958	751	205	141
	<u>1,539</u>	<u>1,297</u>	<u>5,240</u>	<u>3,089</u>

Obligations under finance leases included within Other creditors are:

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Payable:				
In not more than one year	13	-	13	-
In more than one year but not more than five years	25	-	25	-
	<u>38</u>	<u>-</u>	<u>38</u>	<u>-</u>

22. Provisions for liabilities and charges

	Group	Company (included in other assets)
	£m	£m
Deferred taxation		
At 1 January 1991	5	(13)
Transfer from profit and loss account (including prior year charge for Group of £32m)	56	(16)
At 31 December 1991	<u>61</u>	<u>(29)</u>

The amounts provided (recoverable) and total potential liabilities (assets) are:

	Amount provided (recoverable)		Total potential liability (asset)	
	Group £m	Company £m	Group £m	Company £m
Tax effect of timing differences due to:				
Excess of capital allowances over depreciation	10	10	10	10
Capital allowances on finance lease receivables	80	-	80	-
Other	(29)	(39)	(29)	(39)
	<u>61</u>	<u>(29)</u>	<u>61</u>	<u>(2)</u>

Notes to the Accounts

Continued

23. Subordinated liabilities

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Subordinated floating rate note 1995	120	120	-	-
Subordinated floating rate note 1997	42	42	-	-
Subordinated floating rate note 2004 (US\$137m)	73	71	-	-
Subordinated floating rate note 2004 *	-	-	83	83
11.50% Subordinated guaranteed bonds 2017	153	-	-	-
11.59% Unsecured subordinated loan stock 2017 *	-	-	150	-
	<u>388</u>	<u>233</u>	<u>233</u>	<u>83</u>

The subordinated floating rate notes and subordinated loan stock pay a rate of interest related to £ sterling or US\$ three month LIBOR depending on the currency of denomination.

* These represent the on-lending to the Company on a subordinated basis of issues by subsidiary companies.

24. Share capital

The authorised share capital of the Company is £175m (£175m) comprising ordinary shares of 10p each. The issued and fully paid share capital at 31 December 1991 was £131m (£131m).

Under the Company's executive and savings related Share Option Schemes, employees hold options to subscribe for 17,430,9 (11,056,342) ordinary shares at prices ranging from 149.0 to 298.9 pence per share, exercisable between 1994 and 2001 or earlier in certain circumstances. During the year 9,162 shares were issued on the exercise of options for a consideration of £13,651.

Under the terms of the Share Participation Scheme, employees can elect to contribute, gross of tax, any performance-related bonus to a trust fund. The trustees of the Scheme will use such funds to subscribe for or purchase ordinary shares in the Company on behalf of the employees. The maximum that can be subscribed for under the terms of the scheme is 65,515,872 shares representing 5% of the issued share capital of the Company. During 1991 308,283 shares were issued under the terms of the scheme for a consideration of £836,988.

As of 15 January 1992 there were 3,381,139 shareholders. The following table shows an analysis of their holdings:

Size of Shareholding	Shareholders	Shares
1 - 100	2,388,710	237,986,720
101 - 1,000	964,055	453,785,602
1,001+	28,374	618,549,328
	<u>3,381,139</u>	<u>1,310,321,650</u>

Notes to the Accounts

Continued

25. Movement on reserves

	Profit and loss account	
	Group	Company
	£m	£m
At 1 January 1991	1,734	1,825
Retained profit for the year	276	212
Goodwill written off	(5)	—
Exchange differences	1	—
<u>At 31 December 1991</u>	<u>2,006</u>	<u>2,037</u>

Goodwill written off during the year arose on the acquisition of minority interests in the Company's Spanish and Italian subsidiaries.

The cumulative amount of goodwill written off by the Group to 31 December 1991 is £145m (£140m).

26. Segmental analysis

Net assets are included in the segmental analysis set out below in compliance with Statement of Standard Accounting Practice 25 'Segmental Reporting'. However liabilities within the banking industry constitute a source of funds and are normally regarded as relating to the business overall. The directors therefore believe it is more meaningful to analyse total assets and accordingly these figures are also presented.

The free capital of UK Retail Operations and Treasury Operations is managed on a unified basis and earnings thereon are shown within the UK Retail Operations result. Earnings on free capital in other segments are shown in the result of the relevant segment.

No geographical analysis is presented as the non UK business is not significant.

Class of business	UK Retail Operations £m	Treasury Operations £m	Estate Agency £m	Other £m	Group Total £m
1991					
Group result before taxation	585	62	(19)	(10)	618
Total assets	38,987	15,965	41	2,412	57,405
<u>Net assets</u>	<u>2,421</u>	<u>647</u>	<u>(183)</u>	<u>86</u>	<u>2,971</u>
1990					
Group result before taxation	612	2	(20)	(12)	582
Total assets	34,912	10,181	45	1,358	46,496
<u>Net assets</u>	<u>2,528</u>	<u>275</u>	<u>(168)</u>	<u>64</u>	<u>2,699</u>

Notes to the Accounts

Continued

27. Contingent liabilities

Under Section 22 of the Building Societies Act 1986, Abbey National Building Society was obliged to discharge the liabilities of its associated bodies (including subsidiaries) in so far as they were unable to discharge them out of their own assets. Under the Act, the obligations of the Society at Vesting Day on 29 July 1989 in respect of its associated bodies were transferred to the Company. In addition, the Company has unconditionally and irrevocably guaranteed all the obligations of Abbey National Treasury Services plc and Abbey National Bank SAE.

Total guarantees given by Abbey National plc in respect of subsidiaries' liabilities
Guarantees given by subsidiary companies

£19,735m
£64m

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Commitments as lessors for the purchase of equipment for use in finance leases	453	160	-	-

The Company has entered into interest rate and currency swaps and option contracts for hedging purposes.

Abbey National Treasury Services plc, a wholly-owned subsidiary of Abbey National plc, has a potential liability under interest rate and currency swaps, financial futures contracts, forward interest rate agreements, forward foreign exchange contracts and option contracts. These contracts are used to hedge assets and liabilities of the Group. It is not envisaged that any material irrecoverable loss will arise from these transactions.

29. Priority liquidation distribution

The Building Societies Act 1986 requires that savers who were eligible to vote on the conversion proposals and who continued to have savings in any share account with the Society up to Vesting Day must have a right to a priority liquidation distribution by the Company. This is a right, in the unlikely event of the Company being wound-up, to a distribution of a proportion of its assets in priority to all other creditors (other than statutory preferential creditors) and shareholders of the Company.

The calculation of the right is based on the reserves of the Society as at 31 December 1988 after deducting the cash distribution and costs of conversion. Initially this amount was £1.3 billion. This has reduced as members continue to operate their accounts and the amount of the right has reduced to £0.4 billion at 31 December 1991.

The priority liquidation right is secured by a floating charge over the undertaking and assets of the Company and by a guarantee by, and floating charge over the undertaking and assets of, Abbey National Treasury Services plc.

Notes to the Accounts

Continued

30. Retirement benefits

The Abbey National Amalgamated Pension Fund is the principal pension scheme within the Group, covering 73% of the Group's employees, and is a funded defined benefits scheme.

The latest actuarial valuation carried out by an independent professionally qualified actuary was made as at 31 March 1990, at which date the market value of the Scheme assets was £360m. The valuation was prepared by using the projected unit funding method and disclosed a funding level of 137% and a regular company contribution rate of 19.2% of pensionable salaries in respect of benefits accruing after the valuation date. On the basis of actuarial advice the Company's regular contributions have been suspended. It is estimated that this will remove the surplus by 31 March 1995.

The main financial assumptions used in the valuation were:

	% Per annum
Investment return	10.0
Equity dividend growth	5.5
Pension increases	5.0
General salary increases	7.5

The pension cost of £14m (£9m) reflects the regular contribution rate less an amount in respect of the surplus being recognised over the expected remaining service lives of the members of the Fund in accordance with SSAP 24 on accounting for pension costs. No contributions were made to the Fund in 1991 and a provision of £23m has been included in the balance sheet. Actuarial valuations of the assets and liabilities of the Scheme are carried out at least once in every three years by external actuaries to determine the financial position of the Fund. The next valuation will be made not later than 31 March 1993.

The Associated Bodies Pension Fund, which covers 1% of the Group's UK employees, is similarly constituted. An actuarial valuation was conducted as at 31 March 1990 which revealed a modest excess of assets over liabilities.

Non-executive directors of long service may receive an ex-gratia pension. These pensions are unfunded and the capital cost of those granted in the year of £0.9m has been charged to the profit and loss account. The capital cost was assessed in accordance with the advice of an independent professionally qualified actuary. The Board has determined that it will no longer award such pensions to non-executive directors who joined the Board after 31 December 1988.

Notes to the Accounts

Continued

31. Directors' interests

Details of loans, quasi loans and credit transactions entered into by the Company or its subsidiaries with directors and connected persons and officers of the company comprise:

	Number of persons	Total £000
<i>Directors</i>		
Loans	9	676
Quasi loans	-	-
Credit transactions	-	-
<i>Officers</i>		
Loans	20	1919
Quasi loans	-	-
Credit transactions	-	-

The beneficial interests of directors and their immediate families in the ordinary shares of 10p each in the Company are shown below:

	At 31 December 1991		Options granted during the year	At 1 January 1991 (or date of appointment if later)	
	Shares	Options		Shares	Options
R J Baglin	6,586	100,647	93,399	4,282	7,248
J Bayliss	1,373	142,098	134,850	1,300	7,248
P G Birch	109,549	204,695	196,239	106,843	8,456
P A Davis	11,750	-	-	11,750	-
J M Fry	3,324	93,245	6,997	1,400	7,248
Sir John Garlick	1,900	-	-	1,900	-
M A Heap	1,875	-	-	1,875	-
M E Llowarch	1,750	-	-	1,750	-
Sara Morrison	5,000	-	-	1,000	-
The Lord Rockley	5,000	-	-	5,000	-
J L Tuckey	2,000	-	-	1,000	-
Sir Christopher Tugendhar	6,000	-	-	3,000	-
J M Tyrrell	3,029	100,647	93,399	1,000	7,248
C N Villiers	15,701	107,309	100,061	13,492	7,248

The options refer to those granted under the Company's executive and savings related Share Options Schemes, as set out in note 24.

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

The directors did not have any interests in shares or debentures of subsidiaries.

On their appointment to the Board on 1 January 1992 J. A. Denholm and E.D. Patrick each had a beneficial interest in 1,000 ordinary shares of 10p each in the company.

There have been no changes to the beneficial and other interests of the directors in the ordinary shares of the Company up to 2 February 1992.

Group Financial Summary

	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m
Profit and loss accounts					
Interest receivable	5,851	5,915	4,459	3,113	2,792
Interest payable	(4,708)	(4,959)	(3,693)	(2,479)	(2,269)
Net interest receivable	1,143	956	766	634	523
Other income and charges	265	189	174	131	94
Operating expenses	(635)	(508)	(425)	(338)	(254)
Provisions for loans and advances	(155)	(55)	(14)	(13)	(11)
Profit on ordinary activities before tax	618	582	501	414	352
Tax on profit on ordinary activities	(204)	(205)	(176)	(144)	(129)
Profit for the year	414	377	323	270	223
Dividends	(138)	(125)	(75)	—	—
Retained profit for the year	276	252	248	270	223
Balance sheets					
Liquid assets and securities	15,188	10,148	6,824	5,828	4,245
Commercial assets	39,686	35,118	29,747	25,466	21,993
Long term investments	1,249	385	1	1	—
Tangible fixed assets	489	354	254	199	166
Other assets	793	491	375	43	7
Total assets	57,405	46,496	37,201	31,537	26,411
Retail funds and deposits	32,711	29,735	26,943	25,316	21,572
Non-retail funds and deposits	19,642	12,440	6,732	4,320	3,287
	52,353	42,175	33,675	29,636	24,859
Dividend proposed	92	83	75	—	—
Other liabilities	1,539	1,297	732	456	395
Provisions for liabilities and charges	61	5	20	12	24
Subordinated liabilities	388	233	245	120	—
Minority interests	1	4	3	1	—
Total liabilities	54,434	43,797	34,750	30,225	25,278
Share capital	131	131	131	—	—
Share premium	834	834	834	—	—
Profit and loss account	2,006	1,734	1,486	1,312	1,133
Shareholders' funds	2,971	2,699	2,451	1,312	1,133
Total liabilities and shareholders' funds	57,405	46,496	37,201	31,537	26,411
Earnings per share	31.6p	28.8p	27.3p	24.5p	
Pro forma earnings per share					

The statutory accounts for 1989 were drawn up for a nine month period during which the company traded from 12 July 1989 (the date of conversion from building society to plc) to 31 December 1989. For comparative purposes pro forma accounts have been produced for the year to 31 December 1989 reflecting the results of the business for the whole of that year. Pro forma earnings per share for 1988 and 1989 were calculated by adjusting the proforma consolidated profit after tax assuming the benefit of new share capital raised had been derived from 1 January 1988. Assumed interest rates of 10% for 1988 and 13% to 12 July 1989, net of corporation tax, were used.

Summary Financial Statement

Year ended 31 December 1991

Summary Directors' Report

The Directors have pleasure in presenting this summary financial statement for Abbey National plc and its subsidiaries for the year ended 31 December 1991.

The information provided is only a summary of that contained in the Directors' Report and Accounts 1991.

Results and dividends

The profit on ordinary activities before tax of the Group for the year ended 31 December 1991 was £618 million (1990 £582 million).

An interim dividend of 3.5 pence per share was paid on 14 October 1991 (1990 3.15 pence per share). This equates to a total of 4.67 pence per share (1990 4.20 pence per share) with the related tax credit.

The Directors propose a final dividend for the year of 7.00 pence per share (1990 6.35 pence) to be paid on 11 May 1992. With the related tax credit this is equivalent to 9.33 pence per share (1990 8.47 pence per share).

The dividends for the year absorb a total of £138 million leaving profits of £276 million to be retained.

Business review

Against difficult economic conditions and a depressed housing market, Abbey National continued to focus on its traditional business of providing a range of personal financial services. Particular attention has been devoted to the quality of lending, and additional resources have been applied to counsel those mortgage borrowers who face difficulty in meeting their payments.

During the year, Abbey National continued with the programme of improvement to its branch network and information technology systems to provide efficient and competitive customer service.

The majority of the Group's income derives from its core savings and mortgage businesses together with its Treasury Operations. Other related activities include personal unsecured lending, banking services, life and general insurance sales, housing development and estate agency.

Future activities

With effect from 1 January 1992, Abbey National acquired for a consideration of £285 million the business of The Scottish Mutual Assurance Society. This acquisition will form the basis of a significant expansion into life assurance as part of Abbey National's strategy for increasing its range of personal financial services.

In addition, the Group has incorporated a separate life assurance subsidiary, Abbey National Life plc, which will market a range of branded life assurance products directly to Abbey National's customers. It is anticipated that this company will commence business in early 1993 following the termination of the existing tied-agency arrangement with Friends Provident. Abbey National Life will be provided with administration, investment management and systems support from Scottish Mutual.

Abbey National will also cautiously continue to expand its

presence in continental Europe.

Names of Directors

Sir Christopher Tugendhat,
appointed 1 June 1991

RJ Baglin

J Bayliss FCBSI

PG Birch FCBSI

PA Davis FCA

JA Denholm CBE CA,

appointed 1 January 1992

JM Fry FCIS FCBSI

Sir John Garlick KCB

MA Heap FCBSI

ME Llowarch FCA

Sara Morrison

FD Patrick FFA,

appointed 1 January 1992

The Lord Rockley

JL Tuckey FRICS

JM Tyrrell FCA

CN Villiers FCA

Sir Campbell Adamson retired from the Board in June 1991.

Dame Jennifer Jenkins retired from the Board at the conclusion of the 1991 Annual General Meeting.

Michael Heap will retire at the Annual General Meeting and will not seek re-election.

Sir John Garlick will retire at the conclusion of the Annual General Meeting, having reached 70 years of age.

Auditor

The Auditor's report on the annual accounts of the Group for the year ended 31 December 1991 was unqualified and did not contain a statement under either section 237(2) or 237(3) of the Companies Act 1985.

IMPORTANT NOTE This summary financial statement does not contain sufficient information to allow for a full understanding of the results of the Group and state of affairs of the Company or of the Group. For further information the full annual accounts, the auditor's report on those accounts and the Directors' Report should be consulted.

Summary Consolidated Profit and Loss Account

for the year ended 31 December 1991

	1991 £m	1990 £m
Interest receivable	5,851	5,915
Interest payable	(4,708)	(4,959)
Net interest receivable	1,143	956
Other income and charges	265	189
Operating expenses	(635)	(508)
Provisions for loans and advances	(155)	(55)
Profit on ordinary activities before tax	618	582
Tax on profit on ordinary activities	(204)	(205)
Profit on ordinary activities after tax	414	377
Dividends	(138)	(125)
Retained profit for the year	276	252
Earnings per share	31.6p	28.8p

Directors' emoluments

The aggregate emoluments of the directors for the year ended 31 December 1991 were £1,467,000 (1990: £1,080,000).

Statement by the Auditor

to the Members of Abbey National plc

In our opinion the summary financial statement set out on pages 17 to 19 is consistent with the annual accounts and directors' report of Abbey National plc for the year ended 31 December 1991 and complies with the requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte
Chartered Accountants and
Registered Auditor
London
2 March 1992

Summary Consolidated Balance Sheet

at 31 December 1991

	1991 £m	1990 £m
<i>Liquid assets and securities</i>		
Cash and short term funds	5,193	4,035
Securities and investments	9,995	6,113
	<u>15,188</u>	<u>10,148</u>
<i>Commercial assets</i>		
Advances secured on residential property	37,867	34,044
Other advances secured on land	639	678
Net investment in finance leases	729	104
Other commercial assets	451	292
	<u>39,686</u>	<u>35,118</u>
<i>Long term investments</i>	1,249	385
<i>Tangible fixed assets</i>	489	354
<i>Other assets</i>	793	491
<i>Total assets</i>	<u>57,405</u>	<u>46,496</u>
<i>Deposits and loans</i>		
Retail funds and deposits	32,711	29,735
Non-retail funds and deposits	19,642	12,440
	<u>52,353</u>	<u>42,175</u>
<i>Dividend proposed</i>	92	83
<i>Other liabilities</i>	1,539	1,297
<i>Provisions for liabilities and charges</i>	61	5
<i>Subordinated liabilities</i>	388	233
<i>Minority interests</i>	1	4
<i>Total liabilities</i>	<u>54,434</u>	<u>43,797</u>
<i>Share capital</i>	131	131
<i>Share premium</i>	834	834
<i>Profit and loss account</i>	2,006	1,734
<i>Shareholders' funds</i>	<u>2,971</u>	<u>2,699</u>
<i>Total liabilities and shareholders' funds</i>	<u>57,405</u>	<u>46,496</u>

The summary financial statement set out on pages 17 to 19 was approved by the Board on 2 March 1992 and signed on its behalf by:


Sir Christopher Tugendhat
Chairman


Peter Birch
Group Chief Executive


James Tyrrell
Group Finance Director

ABBEY NATIONAL PLC

Company Profit and Loss Account for the year ended 31 December 1991

	1991 £m	1990 £m
Interest receivable	4,910	4,863
Interest payable	(3,874)	(3,925)
Net interest receivable	1,036	938
Other income and charges	159	122
Operating expenses	(539)	(425)
Provisions for loans and advances	(127)	(42)
Profit on ordinary activities before tax	529	593
Tax on profit on ordinary activities	(179)	(216)
Profit on ordinary activities after tax	350	377
Dividends	(138)	(125)
Retained profit for the year	212	252



Sir Christopher Tugendhat
Chairman



Peter Birch
Group Chief Executive



James Tyrrell
Group Finance Director