



Standard Chartered PLC

(Incorporated with limited liability in England and Wales with registered number 966425)

**Placing of
100,000,000 $7\frac{3}{8}$ per cent.
Non-Cumulative Irredeemable Preference Shares
of £1 each at 100.008 pence per share**

Copies of this document, which comprises listing particulars relating to Standard Chartered PLC prepared in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, have been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 149 of that Act.

Application has been made to the London Stock Exchange for the Preference Shares to be admitted to the Official List. It is expected that such admission will become effective and that dealings will commence on 10th December, 1993, for deferred settlement on 24th December, 1993.

In connection with this issue, Cazenove may over-allot or effect transactions on the London Stock Exchange which stabilise or maintain the market price of the Preference Shares at a level which might not otherwise prevail on that exchange. Such stabilising, if commenced, may be discontinued at any time.

J. HENRY SCHRODER WAGG & CO. LIMITED

CAZENOVE & CO.

SALOMON BROTHERS INTERNATIONAL LIMITED

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EXPECTED TIMETABLE OF EVENTS

| | |
|---|---------------|
| | 1993 |
| Official dealings commence, fully paid, for account settlement subject to deferred settlement for initial dealings | 10th December |
| Definitive Preference Share certificates despatched | 22nd December |
| Deferred settlement for initial dealings | 24th December |
| | 1994 |
| First dividend payment on the Preference Shares | 1st April |

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

| | |
|---------------------------------------|--|
| “Standard Chartered” or the “Company” | Standard Chartered PLC; |
| “Bank” | Standard Chartered Bank, a subsidiary of the Company; |
| “Directors” | the directors of the Company; |
| “Group” or “Standard Chartered Group” | the Company and its subsidiary undertakings (as defined in the Companies Act 1985); |
| “Preference Shares” | the 7 ³ / ₈ per cent. non-cumulative irredeemable preference shares of £1 each in the Company which are to be issued and subscribed pursuant to the Placing; |
| “Authorised Preference Shares” | the 300,000,000 preference shares of £1 each in the Company created by a resolution passed on 3rd December, 1993; |
| “Board” | the Board of Directors; |
| “Cazenove” | Cazenove & Co.; |
| “Companies Acts” | The Companies Acts 1985 and 1989 and any modification, extension or re-enactment thereof; |
| “Latest Practicable Date” | 1st December, 1993, being the latest practicable date prior to the printing of this document; |
| “London Stock Exchange” | The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited; |
| “Official List” | the Official List of the London Stock Exchange; |
| “Ordinary Shares” or “Shares” | the ordinary shares of £1 each in the Company; |
| “Placing” | the placing of the Preference Shares as described in this document; |
| “Placing Agreement” | an agreement dated 9th December, 1993 between the Company, Schroders, Cazenove and Salomon Brothers relating to the Placing; |
| “Placing Price” | 100.008p per Preference Share; |
| “Salomon Brothers” | Salomon Brothers International Limited; and |
| “Schroders” | J. Henry Schroder Wagg & Co. Limited. |

DIRECTORS

Patrick John Gillam

(Chairman)

Patrick Gillam, age 60, joined the Board on 1st August, 1988 and became Chairman on 6th May, 1993. He is also Chairman of Asda Group plc and a director of Commercial Union plc. He retired as a managing director of British Petroleum Company plc in September 1991.

The Rt. Hon. Lord Stewartby RD*

(Deputy Chairman)

Bernard Harold Ian Halley Stewart, The Rt. Hon. The Lord Stewartby, age 58, joined the Board on 1st January, 1990. He is Chairman of The Throgmorton Trust PLC and of Delian Lloyd's Investment Trust PLC, and a director of Diploma Plc and other companies. He is also a member of the Securities and Investment Board. He was Economic Secretary to the Treasury from 1983 to 1987.

George Malcolm Williamson

(Group Chief Executive)

Malcolm Williamson, age 54, was appointed to the Board on 1st September, 1989 and became Group Chief Executive on 1st January, 1993. He previously held general management positions with Barclays Bank PLC and was a board member of the Post Office and Managing Director of Girobank plc.

The Hon. David Peter Brougham

David Brougham, age 53, was appointed to the Board on 1st January, 1993. He joined Standard Chartered as Head of Credit in 1989 and shortly thereafter became director of banking with responsibility for banking activities in Europe, America, Africa, Middle East and South Asia, a position he continues to hold as Executive Director. He previously held senior positions with Lloyds Bank International and Mellon Bank Corporation.

Christopher Norman Anthony Castleman

Christopher Castleman, age 52, was appointed to the Board on 1st December, 1991. He is Executive Director, Investment Banking. He has extensive experience in merchant banking and financial services and was previously Chief Executive of The Hill Samuel Group PLC.

John McFarlane

John McFarlane, age 46, was appointed to the Board on 29th June, 1993. He is Executive Director, Treasury, and also has responsibility for credit approvals across the Group. Previously he was Chief Executive of Citicorp Investment Bank Limited.

David George Moir

David Moir, age 53, was appointed to the Board on 1st January, 1993. He joined the Bank in 1958 and, after serving in various senior positions in Africa and the Far East, became director of banking with responsibility for the Asia Pacific region in June 1990, a position he continues to hold as Executive Director.

Peter Anthony Wood

Peter Wood, age 50, was appointed to the Board as Executive Director, Finance and Risk on 1st May, 1993. He has extensive experience of finance and banking, and was previously Finance Director of Barclays PLC.

Rudolph Ion Joseph Agnew*

Rudolph Agnew, age 59, joined the Board on 1st August, 1988. He is Chairman of Stena Sealink Limited and Joint Chairman of Federated Aggregates PLC. He was formerly Chairman and Group Chief Executive of Consolidated Gold Fields PLC.

Robin Alexander MacDonald Baillie*

Robin Baillie, age 60, a former Executive Director, joined the Board on 1st June, 1983. He is a director of Boustead plc, Capital & Counties plc, Henderson Administration Group PLC, London & Strathclyde Trust PLC, Sun Life Holdings PLC, TransAtlantic Holdings PLC and other companies.

William Charles Langdon Brown CBE*

Bill Brown, age 62, continued as a non-executive Director following his retirement as Deputy Group Chief Executive and Deputy Chairman on 4th October, 1991 after a career in Standard Chartered spanning more than 30 years. He is Chairman of Aitken Hume Bank and a director of The Hong Kong Investment Trust PLC and Kexim Bank (UK) Ltd.

John Egwin Craig OBE*

John Craig, age 61, joined the Board on 2nd March, 1989. He is Chairman of Powerscreen International PLC, Vice Chairman of Jupiter Tyndall Group PLC and a director of a number of other public companies. He was formerly a managing director of N.M. Rothschild & Sons Limited, Chairman of the Executive Committee of the British Bankers Association and a member of the Deposit Protection Board.

Keith Ashley Victor Mackrell*

Keith Mackrell, age 61, joined the Board on 1st October, 1991. He is a director of Bowater PLC, Regalian Properties PLC and Shell Pensions Trust Limited and a governor of The London School of Economics and Political Science. Previously he was a director of Shell International Petroleum Company.

Sir Ralph Harry Robins*

Ralph Robins, age 61, joined the Board on 1st October, 1988. He is Chairman of Rolls-Royce plc, and a director of Schroders PLC, Cooper Industries Inc, Marks & Spencer p.l.c. and ASW Holdings PLC.

Anthony William Paul Stenham*

Cob Stenham, age 61, joined the Board on 1st October, 1991. He is Chairman of Arjo Wiggins Appleton p.l.c., Deputy Chairman of VSEL Consortium plc and a director of Capital Radio PLC, The Rank Organisation PLC, Rothmans International PLC, Unigate PLC and Trafalgar House plc.

Geoffrey Guy Williams*

Geoffrey Williams, age 63, continued as a non-executive Director following his retirement as Executive Director, Merchant Banking on 31st January, 1992. Previously he was Deputy Chairman of J. Henry Schroder Wagg & Co. Limited.

*Non-executive

All the Directors are of British nationality. The Directors' business address is 1 Aldermanbury Square, London EC2V 7SB, except for D. G. Moir, whose business address is 51 Bras Basah Road, Plaza by the Park #10-00, Singapore 0718.

PART I — STANDARD CHARTERED

1. Description of the Business

Standard Chartered PLC is the holding company of a multinational banking and financial services group, the largest operating subsidiary of which is Standard Chartered Bank. The primary focus of the Group's activities is in the Asia Pacific region which contributed 65 per cent. of the Group's profit before charge for bad and doubtful debts in the six month period ended 30th June, 1993. The Group's operations in Hong Kong are a very significant part of its activities, both in terms of total assets employed, and as a centre for the development of systems and new products and services. Hong Kong contributed 37 per cent. of the Group's total profit before charge for bad and doubtful debts in the six month period ended 30th June, 1993.

Standard Chartered's origins go back to 1853 with the establishment by Royal Charter of the Chartered Bank of India, Australia and China (the "Chartered"), followed by the foundation of the Standard Bank of British South Africa (the "Standard") in 1862. The Chartered established its presence in Asia in 1858 when it opened offices in Shanghai, Bombay and Calcutta. Offices in Hong Kong and Singapore followed in 1859. The Standard and the Chartered merged in 1969. Since then, the Group's network has expanded to cover 18 countries in the Asia Pacific region. In addition, the Group operates in Africa, the Middle East, South Asia, the Americas and the UK.

Standard Chartered PLC is incorporated in England and has its group headquarters in London. The Group operates through more than 700 offices in over 50 countries and has over 30,000 employees. The Group is principally engaged in corporate and institutional banking (including trade finance and correspondent banking services), personal banking, treasury operations (including foreign exchange, futures and bullion trading) and investment banking (including merchant banking, stockbroking, custodial and private banking services). The Group is also engaged in leasing and instalment finance.

The Company's Ordinary Shares are listed on the London Stock Exchange and the Tokyo Stock Exchange. The Group is principally regulated by the Bank of England.

Business Operations

The Group has corporate, institutional and personal banking customers. The majority of the Group's assets are employed in corporate and institutional banking, while the majority of the Group's deposits are obtained from non-bank corporate and personal customers. Although the Group derives broadly similar levels of profit before bad and doubtful debts from its corporate and personal customers, most of the Group's bad and doubtful debts have arisen from corporate customers. Consequently, in recent years, personal banking has made a very significant contribution to the Group's profit before taxation.

Corporate and Institutional Banking

The Group's corporate and institutional banking activities are conducted through the branches and representative offices of the Bank and through locally incorporated subsidiaries and associated companies. As well as providing domestic banking facilities to corporate customers in many countries, the Group's broad geographic spread permits the provision of international trade finance and correspondent banking, and facilitates both the efficient completion of transactions and the transfer of funds. This enables the Group to serve customers by handling both their needs in their home markets and their overseas banking requirements.

Personal Banking

Standard Chartered has an established personal banking presence in Hong Kong, Singapore, Malaysia, Negara Brunei Darussalam ("Brunei"), India and several countries in Africa. Its product range generally includes secured housing loans, credit cards and other forms of consumer finance, as well as current, savings and fixed deposit accounts, bureaux de change and safe custody services. The Group also provides personal banking services in off-shore banking centres, including the Channel Islands and the Isle of Man.

Treasury

Standard Chartered is active in foreign exchange, money market, and eurocurrency operations and financial futures. It offers customers a wide range of treasury services including derivative risk management products, such as foreign exchange options and commodity swaps. The Mocatta division of the Bank participates in the London gold and silver price fixings, and offers clients a dealing service in bullion through its offices in London, New York and Hong Kong.

Investment Banking

Investment banking activities include the Standard Chartered Equitor businesses, merchant banking and stockbroking.

The Standard Chartered Equitor businesses provide custodial services in the Asia Pacific region and South Asia to institutional clients, and private banking and trustee services to private clients.

Merchant banking activities, which are centred in the Asia Pacific region, include corporate advice, debt and equity financing, and securities trading.

In the stockbroking area, Standard Chartered Securities Limited undertakes research of selected Asia Pacific markets and executes transactions for institutional, corporate and personal clients.

Instalment Finance and Leasing

The Group provides instalment finance and leasing services through wholly owned subsidiaries or in association with other financial institutions or trading companies mainly in the UK and the Asia Pacific region.

In the UK, Chartered Trust plc, a principal subsidiary of the Group, provides instalment credit finance, secured and unsecured personal loans, inventory finance for motor vehicles, vehicle leasing, contract hire and fleet management.

Geography

A geographic analysis of the results and assets of the Group for the three years ended 31st December, 1992 is included in the Accountants' Report set out in Part III. A similar analysis for the six months ended 30th June, 1993 is set out under the heading "Interim Report" in section 4 below.

Asia Pacific

The Group has a long-standing presence in the Asia Pacific region, where it provides corporate and institutional banking services through a network of over 250 offices in 18 countries. The Group also offers personal banking services in a number of countries in the region, with a strong market position in Hong Kong and Brunei. As at 30th June, 1993, the Group's secured housing loans to customers in Hong Kong amounted to £2,285 million. The Group has a large volume of deposits from personal banking customers in Hong Kong. In Singapore and Malaysia, the Group's market position is

among the leading foreign banks. The Group also undertakes licensed banking operations in Australia, China, Indonesia, Japan, Macau, the Philippines, South Korea, Taiwan and Thailand. It also has representative offices in Cambodia and Vietnam.

The Americas

In the Americas, the Group operates in the USA and Canada. It also has a representative presence in Brazil, Mexico and Peru.

In the USA, the Group is engaged in international trade finance, foreign exchange and derivatives, and securities sales and trading, with particular emphasis on the flow of trade and investment across the Pacific. A business development agreement was established with First Interstate Bancorp in 1992 which provides for reciprocal marketing and delivery of services and products.

United Kingdom

In the UK, the Bank focuses principally on treasury activities, trade finance and institutional banking, and provides selected personal banking services. The Group also provides instalment finance and leasing services through its wholly-owned subsidiaries, Chartered Trust plc and Standard Chartered Leasing Limited. The UK region also includes the Group's banking operations in the Isle of Man and the Channel Islands, its private banking operations in Switzerland, and its leasing activities in France and Germany.

Africa

The Group's presence in Africa dates from 1863. The Company has subsidiaries in Botswana, Cameroon, The Gambia, Ghana, Kenya, Lesotho, Sierra Leone, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe and associates in Malawi, Mozambique, Nigeria, the Seychelles and Zambia. The Bank also has a representative office in South Africa. The Group has long established relationships with African governments, central banks and international agencies. In most of its businesses in Africa, the Group provides a wide range of banking services to both personal and corporate customers.

Middle East and South Asia

In the Middle East, the Bank has branches in Bahrain, Oman, Qatar and the United Arab Emirates and a representative office in Iran. In South Asia, the Group operates in India through a network comprising 24 branches which is the second largest among foreign banks. It also has operations in Bangladesh, Pakistan and Sri Lanka and a representative office in Nepal.

Financial Summary

(a) Profit and loss accounts

The table below summarises the results of the Group for the three years ended 31st December, 1992, and for the six month periods ended 30th June, 1992 and 1993. It is extracted from the Accountants' Report set out in Part III, and the Group's unaudited results for the six month period ended 30th June, 1993 set out in section 4 below.

| | Year ended 31st December, | | | Six months ended 30th June, | |
|--|---------------------------|-------------|-------------|--------------------------------|-------------|
| | 1990 | 1991 | 1992 | 1992 | 1993 |
| | £m | £m | £m | £m | £m |
| Profit before charge for debts | 312.0 | 344.4 | 431.7 | 168.4 | 293.3 |
| Charge for bad and doubtful debts ⁽¹⁾ | (174.7) | (159.4) | (366.2) | (117.6) | (127.0) |
| Amounts written off fixed asset investments | — | (6.0) | — | — | (21.4) |
| Trading profit | 137.3 | 179.0 | 65.5 | 50.8 | 144.9 |
| Share of results of associated undertakings | 11.7 | 16.7 | 20.7 | 8.5 | 5.8 |
| Profit before exceptional items | 149.0 | 195.7 | 86.2 | 59.3 | 150.7 |
| Exceptional items: | | | | | |
| Profits on disposal of premises | — | — | 111.0 | — | 18.1 |
| Loss on sale of operations | — | (36.1) | — | — | — |
| Profit before taxation | 149.0 | 159.6 | 197.2 | 59.3 | 168.8 |
| Taxation | (117.3) | (94.4) | (125.8) | (51.0) | (72.7) |
| Minority interests | (3.0) | (7.4) | (7.9) | (2.7) | (7.7) |
| Profit attributable to members of the company | <u>28.7</u> | <u>57.8</u> | <u>63.5</u> | <u>5.6</u> | <u>88.4</u> |
| Earnings per Ordinary Share | 12.3p | 24.7p | 27.0p | 2.4p | 37.3p |
| Dividends per Ordinary Share | 20.0p | 20.0p | 20.0p | 7.0p | 7.5p |

Note 1: The charge for bad and doubtful debts for the year ended 31st December, 1992 includes a charge of £272 million in respect of deficiencies in the Group's assets in India. Further details are set out in note 4.3.9 of the Accountants' Report in Part III and in section 11 of Part V, headed "Litigation and Other Matters".

(b) *Key ratios*

The following unaudited key ratios are extracted or derived from the Report and Accounts of the Group for the three years ended 31st December, 1992 and the unaudited results for the six month period ended 30th June, 1993.

| | Year ended 31st December, | | | Six months ended | |
|---|---------------------------|------|------|------------------|------|
| | 1990 | 1991 | 1992 | 30th June, 1992 | 1993 |
| | % | % | % | % | % |
| Basle convergence ratios ⁽¹⁾ | | | | | |
| Tier 1 capital ratio | 5.4 | 5.0 | 4.9 | 4.9 | 5.4 |
| Total capital ratio | 10.7 | 10.0 | 9.7 | 9.7 | 10.7 |
| Cost to income ratio ⁽²⁾ | 67.6 | 67.5 | 66.9 | 67.7 | 62.1 |

Note 1: The amount of business which may be undertaken by a UK banking group is governed by the size of its capital base, as a matter of prudent business practice and in compliance with the requirements of the Bank of England. The Bank of England's requirements are expressed in terms of the ratios of Tier 1 capital and total capital to the risk weighted value of assets and contingencies. Tier 1 capital and total capital are defined in Bank of England notices which implement both the European Community's directives designed to establish a common framework for measuring capital adequacy, and also the Basle Convergence Accord.

Note 2: The cost to income ratio is the ratio of the Group's total expenses to its net revenue. The ratios for 1990 and 1991 have been adjusted to reflect changes in accounting policies so as to present them on a basis consistent with the Accountants' Report in Part III.

2. Reasons for the Placing

At an Extraordinary General Meeting held on 3rd December, 1993, the Company's shareholders approved the creation of the Authorised Preference Shares and extended the Directors' authority to allot shares so that it includes such shares. The Board believes that the time is right to issue 100,000,000 Preference Shares which will be used to increase the Group's Tier 1 capital. The Board believes that this will enhance the Group's ability to obtain day-to-day finance at attractive rates and improve its appeal to customers and trading counterparties. The issue of additional capital in the form of the Preference Shares will increase the amount of Tier 1 capital without the degree of dilution associated with an issue of Ordinary Shares.

3. Current Trading and Prospects

The Group's unaudited results for the six months ended 30th June, 1993 are reproduced in section 4 below. There has been no significant change in the financial or trading position of the Group since 30th June, 1993. The Group will continue its strategy of concentrating on its core businesses, particularly in the Asia Pacific region. The Group has, in recent years, made substantial sales of businesses and assets which do not contribute to these core activities, and it may make further sales, either in the Asia Pacific region or elsewhere, so as to concentrate its resources on its core businesses.

Standard Chartered can be affected by economic and political events and other developments in many diverse parts of the world, sometimes to a greater extent than banking groups which are less geographically wide spread. Standard Chartered's financial performance is dependent on the continuing strength of the economies in the Asia Pacific region, particularly Hong Kong.

As the substantial majority of the Group's business is carried out in currencies other than sterling (principally US dollars and currencies linked to the US dollar) the Group's results expressed in sterling terms are sensitive to fluctuations in exchange

rates, although the Group mitigates this by selling forward profits earned in foreign currencies. The book value of the Group's assets and liabilities and its capital adequacy ratios are also affected by fluctuations in exchange rates.

The current position in relation to the recovery of the Group's assets in India is described in section 11 of Part V, headed "Litigation and Other Matters".

4. Interim Report

The following are the unaudited interim results of the Group for the six months ended 30th June, 1993. These results have been reviewed by the Company's auditors, KPMG Peat Marwick, and their report is included.

"Results for First Half of 1993"

| | 6 months ended 30.6.93 £million | 6 months ended 30.6.92 £million | 12 months ended 31.12.92 £million |
|-----------------------------------|--|--|--|
| Financial Summary | | | |
| Profit before charge for debts | 293 | 168 | 432 |
| Charge for bad and doubtful debts | (127) | (118) | (366) |
| Profit before tax | 169 | 59 | 197 |
| Profit attributable to members | 88 | 6 | 63 |
| Total assets | 31,403 | 26,083 | 29,429 |
| Shareholders' funds | 1,070 | 949 | 1,004 |
| Capital resources | 2,503 | 2,171 | 2,433 |
| Information per share | | | |
| Earnings per share | 37.3 | 2.4 | 27.0 |
| Dividends per share | 7.5 | 7.0 | 20.0 |
| Ratios | | | |
| | % | % | % |
| Cost to income ratio | 62.1 | 67.7 | 66.9 |
| Return on shareholders' funds | 17.0 | 1.2 | 6.4 |
| Basle convergence ratios: | | | |
| Tier 1 capital | 5.4 | 4.9 | 4.9 |
| Total capital | 10.7 | 9.7 | 9.7 |

Chairman's Statement

I am pleased to report that our Group profits before tax for the six months to 30 June are substantially higher than those for the same period last year. We performed particularly well in the Asia Pacific region, and there were good results from other parts of the Group.

Our businesses in Asia, with a network of over 300 branches in more than 20 countries, position us well, particularly in Hong Kong, China, Malaysia and Singapore, to contribute to this dynamic area's future development. Africa and the Middle East continue to be useful areas of business, although the opportunities for growth are currently more limited than in Asia. In the United Kingdom and the United States, we aim to increase our focus on business which supports our Asian franchise or the rest of our international network, or which builds on our relationships with First Interstate Bancorp and Westdeutsche Landesbank.

We continue vigorously to prosecute our civil and criminal claims which arose from irregularities in the Bombay securities market in 1991 and 1992. We remain committed to India and strongly support the Government's liberalisation programme.

We have made a number of organisational changes to the Group during the year. The resulting management matrix means that the focus for operational decisions more clearly rests at regional and country levels. Malcolm Williamson became Group Chief Executive in January, and David Brougham and David Moir joined the Board at that time. Peter Wood, formerly Group Finance Director at Barclays, joined us as Group Finance and Risk Director in May; and John McFarlane, formerly Managing Director of Citibank in the UK, joined us in July as the Group Executive Director responsible for strategic development, global treasury operations, and credit approval. Following my appointment as Chairman, Lord Stewartby has succeeded me as Deputy Chairman.

Rodney Galpin retired as Chairman at the Annual General Meeting and we are grateful for the contribution he made. Group Finance Director, Richard Stein, retired from the Board in June; Alan Orsich, Group Executive Director, Treasury, will retire in November after 43 years with the Group. I wish them well in the future and thank them for their years of service with us.

Financial results

The profit before charge for debts is £293 million representing a strong improvement in the Group's performance.

The charge for debts is £127 million. Two-thirds of this is for additional provisions against long-standing problem exposures in the United Kingdom where trading results, or a conservative reassessment of the value of security for advances, have led us to conclude that higher provisions would be prudent. We regard our bad debt experience elsewhere as satisfactory in the first half-year. No new non-performing commercial loans of any significance have been identified in any part of the Group during the six months to 30 June, 1993. We have made no new debt provisions for India, but in the process of reducing the size of our balance sheet there, we have written down our Public Sector Utility Bond portfolio by £21 million. Our problem country debt exposure has reduced by US\$291 million, and our overall provisions against LDC exposure increased from 72% to 76%. A number of properties were sold during the period, realising exceptional profits of £18 million and crystallising revaluation surpluses of £15 million.

Profit before tax is £169 million compared with £59 million last year. The tax charge for the period is £73 million, giving an effective tax rate of 43%. This is higher than we should like and is due to losses in the United Kingdom and to our current inability to benefit from certain write-offs and provisions. Profit after tax is £96 million compared with £8 million for the corresponding period last year and we have declared an increased dividend of 7.5p a share.

Our cost/income ratio is 62.1% for the first half of 1993, compared with 67.7% at the same time last year. The Group's total capital ratio is 10.7% compared with 9.7% at the end of 1992 and is well above the internationally established minimum of 8%.

Litigation against Price Waterhouse, concerning our purchase of United Bank of Arizona, is not yet resolved; we remain convinced that we have a good case, and are pursuing it strongly.

Operating results

Our corporate, personal banking, treasury, merchant banking, securities and custody businesses in the Asia Pacific showed an improvement in performance. More than half of the profits for the region came from Hong Kong, and a detailed analysis of the Hong

Kong results is included in the accounts. We are considering a secondary listing for the Group's shares on the Hong Kong and Singapore Stock Exchanges.

In China, we have opened new offices in Nanjing and Ningbo, as well as establishing a treasury corporate dealing and covering operation in Shanghai. Our businesses in Singapore, Malaysia, Brunei, Indonesia and Thailand also enjoyed a profitable half-year.

Our Asia Pacific regional merchant banking and stockbroking group has brought 40 equity and debt issues, or syndications, to market, raising more than US\$1.4 billion. The assets administered by the custody and private client businesses of Standard Chartered Equitor totalled US\$40 billion.

Despite problems of inflation in a number of countries, underlying performance in Africa remained firm and better first half results were achieved in Zimbabwe, Kenya, Ghana, The Gambia and Uganda. In the Middle East, the United Arab Emirates and Bahrain are the main contributors, while in South Asia our operations in Pakistan are performing well.

In the United Kingdom profits from our treasury operations were higher, partly due to the continuing volatility in the exchange and interest rate markets. Our commitment to the exotic currency market continues to contribute to Group results.

Our business in North America, which includes foreign trade, correspondent banking and treasury activities made a positive contribution. The international businesses of First Interstate Bancorp, which were recently acquired, are being absorbed and have strengthened our operations in the Asia Pacific region and in Latin America. The Business Development Agreement entered into with First Interstate allows each group to offer its services and products through the other's network.

Prospects

The profits for this half allow us to make retentions of £71 million, thus strengthening our capital base. I am encouraged by our performance in the first half of 1993, but a large task remains. We need to build on this foundation and move Standard Chartered from a position of relatively low earnings, slim retentions, and only adequate capital ratios and shareholder returns, to a virtuous circle of higher profits, better retentions, stronger capital ratios, improving ratings and increasing shareholder returns. These are our key objectives.

Patrick J. Gillam
12 August, 1993

Consolidated Profit and Loss Account (unaudited)

For the six months ended 30 June 1993

| | | 6 months ended 30.6.93 £million | 6 months ended 30.6.92 £million | 12 months ended 31.12.92 £million |
|--|-------|--|--|--|
| Interest receivable | Notes | 1,086.3 | 1,013.0 | 2,293.8 |
| Interest payable | | (629.0) | (689.1) | (1,471.4) |
| Net interest income | | 457.3 | 323.9 | 822.4 |
| Fees and commissions receivable | | 202.5 | 132.2 | 338.5 |
| Fees and commissions payable | | (13.8) | (7.0) | (19.6) |
| Dealing profits and exchange | | 106.5 | 48.9 | 111.5 |
| Other operating income | | 22.1 | 23.4 | 50.2 |
| Net revenue | | 774.6 | 521.4 | 1,303.0 |
| Administrative expenses: | | | | |
| Staff | | (256.8) | (189.3) | (458.7) |
| Premises and equipment | | (86.8) | (66.2) | (156.0) |
| Other | | (106.1) | (73.2) | (193.0) |
| Depreciation and amortisation | | (31.6) | (24.3) | (63.6) |
| Total expenses | | (481.3) | (353.0) | (871.3) |
| Profit before charge for debts | | 293.3 | 168.4 | 431.7 |
| Charge for bad and doubtful debts | 6 | (127.0) | (117.6) | (366.2) |
| Amounts written off fixed asset investments | | (21.4) | — | — |
| Trading profit | | 144.9 | 50.8 | 65.5 |
| Share of results of associated undertakings | | 5.8 | 8.5 | 20.7 |
| Profit before exceptional items | | 150.7 | 59.3 | 86.2 |
| Exceptional profits on disposal of premises | | 18.1 | — | 111.0 |
| Profit before taxation | 1 | 168.8 | 59.3 | 197.2 |
| Taxation | 2 | (72.7) | (51.0) | (125.8) |
| Profit after taxation | | 96.1 | 8.3 | 71.4 |
| Minority interests | | (7.7) | (2.7) | (7.9) |
| Profit attributable to members of the Company | | 88.4 | 5.6 | 63.5 |
| Dividends | 3 | (17.9) | (16.5) | (47.2) |
| Amount retained/(deficit) | | 70.5 | (10.9) | 16.3 |
| Earnings per share | 4 | 37.3p | 2.4p | 27.0p |

There was no significant acquisition or discontinuance of operations during the period.

Statement of Total Recognised Gains and Losses (unaudited)

For the six months ended 30 June 1993

| | 6 months ended 30.6.93 £million | 6 months ended 30.6.92 £million | 12 months ended 31.12.92 £million |
|---|--|--|--|
| Profit for the period, before dividends | 88.4 | 5.6 | 63.5 |
| Currency translation differences on foreign currency net investments | <u>(12.2)</u> | <u>(12.5)</u> | <u>7.7</u> |
| Total recognised gains and losses relating to the period | <u>76.2</u> | <u>(6.9)</u> | <u>71.2</u> |

Note of Historical Cost Profits and Losses (unaudited)

For the six months ended 30 June 1993

| | 6 months ended 30.6.93 £million | 6 months ended 30.6.92 £million | 12 months ended 31.12.92 £million |
|--|--|--|--|
| Reported profit before taxation | 168.8 | 59.3 | 197.2 |
| Realisation of property revaluation gains of previous years | <u>15.4</u> | <u>—</u> | <u>71.6</u> |
| Historical cost profit before taxation | <u>184.2</u> | <u>59.3</u> | <u>268.8</u> |
| Historical cost profit for the period retained after taxation, minority interests and dividends | <u>85.9</u> | <u>(10.9)</u> | <u>87.9</u> |

Consolidated Balance Sheet (unaudited)

30 June 1993

| | Notes | 30.6.93 £million | 30.6.92 £million | 31.12.92 £million |
|--|-------|----------------------------|---------------------|----------------------|
| Assets | | | | |
| Cash and balances at central banks | | 340.7 | 181.6 | 522.7 |
| Cheques in course of collection | | 48.9 | 65.5 | 47.0 |
| Treasury bills and other eligible bills | | 263.2 | 181.1 | 388.1 |
| Loans and advances to banks | 6 | 6,225.9 | 5,874.9 | 4,969.1 |
| Loans and advances to customers | 6 | 17,117.0 | 14,243.3 | 16,801.1 |
| Debt securities | | 3,044.2 | 1,668.9 | 2,215.2 |
| Equity shares | | 121.4 | 57.9 | 65.9 |
| Interests in associated undertakings | | 34.0 | 67.2 | 29.1 |
| Other participating interests | | 21.4 | 11.4 | 24.2 |
| Tangible fixed assets | | 318.3 | 366.4 | 354.7 |
| Other assets | | 3,576.6 | 2,981.6 | 3,654.8 |
| Prepayments and accrued income | | 291.6 | 383.1 | 356.6 |
| Total assets | | 31,403.2 | 26,082.9 | 29,428.5 |
| Liabilities | | | | |
| Deposits by banks | | 4,395.6 | 4,489.9 | 4,056.8 |
| Customer accounts | | 19,540.8 | 15,192.4 | 18,141.6 |
| Debt securities in issue | | 654.1 | 603.8 | 490.7 |
| Other liabilities | | 3,878.2 | 3,187.6 | 3,864.0 |
| Accruals and deferred income | | 367.0 | 378.2 | 376.2 |
| Provisions for liabilities and charges: | | | | |
| Deferred taxation | | 1.8 | 1.6 | 2.9 |
| Other provisions for liabilities and charges | | 62.7 | 58.3 | 63.4 |
| Subordinated liabilities: | | | | |
| Undated loan capital | | 1,011.5 | 834.8 | 1,006.7 |
| Dated loan capital | | 382.2 | 357.2 | 385.9 |
| Minority interests | | 39.2 | 30.2 | 36.1 |
| Called up share capital | | 238.1 | 235.6 | 236.5 |
| Share premium account | | 356.3 | 351.8 | 351.3 |
| Revaluation reserve | | 45.6 | 113.7 | 68.2 |
| Profit and loss account | | 430.1 | 247.8 | 348.2 |
| Shareholders' funds | 5 | 1,070.1 | 948.9 | 1,004.2 |
| Total liabilities | | 31,403.2 | 26,082.9 | 29,428.5 |

Notes

1. Segmental information

By geographic segment

| | 6 months ended 30.6.93 | | | | | | |
|---|--|--------------------------------|----------------------|-----------------|--------------------|---|-------------------|
| | Asia Pacific Hong Kong £million | Other Countries £million | Americas £million | UK £million | Africa £million | Middle East and S. Asia £million | Total £million |
| Interest receivable | 361.1 | 351.4 | 81.6 | 569.3 | 105.3 | 104.9 | 1,573.6 |
| Interest payable | (190.3) | (226.2) | (68.8) | (490.2) | (71.6) | (69.2) | (1,116.3) |
| Net interest income | 170.8 | 125.2 | 12.8 | 79.1 | 33.7 | 35.7 | 457.3 |
| Fees and commissions receivable, net | 59.4 | 53.2 | 24.4 | 27.0 | 16.5 | 8.2 | 188.7 |
| Dealing profits and exchange | 10.9 | 37.8 | 20.0 | 38.5 | (3.3) | 2.6 | 106.5 |
| Other operating income | 0.2 | 3.5 | 2.1 | 14.5 | 1.5 | 0.3 | 22.1 |
| Net revenue | 241.3 | 219.7 | 59.3 | 159.1 | 48.4 | 46.8 | 774.6 |
| Total expenses | (132.9) | (138.0) | (47.7) | (89.8) | (39.9) | (33.0) | (481.3) |
| Profit before charge for debts | 108.4 | 81.7 | 11.6 | 69.3 | 8.5 | 13.8 | 293.3 |
| Charge for debts | (3.2) | (2.2) | (1.3) | (113.7) | (5.6) | (1.0) | (127.0) |
| Amounts written off fixed asset investments | — | — | — | — | — | (21.4) | (21.4) |
| Trading profit | 105.2 | 79.5 | 10.3 | (44.4) | 2.9 | (8.6) | 144.9 |
| Share of results of associated undertakings | 0.1 | 1.1 | 0.1 | 1.9 | 1.3 | 1.3 | 5.8 |
| Profit before exceptional items | 105.3 | 80.6 | 10.4 | (42.5) | 4.2 | (7.3) | 150.7 |
| Exceptional items | 16.4 | 1.7 | — | — | — | — | 18.1 |
| Profit before taxation | 121.7 | 82.3 | 10.4 | (42.5) | 4.2 | (7.3) | 168.8 |
| Total assets employed | 11,184.6 | 10,800.7 | 3,045.4 | 13,881.7 | 1,430.0 | 2,815.0 | 43,157.4 |
| Net assets employed | 259.5 | 301.4 | 75.9 | 295.9 | 48.9 | 88.5 | 1,070.1 |
| Total risk weighted assets and contingents | 4,585.6 | 5,326.2 | 1,340.7 | 6,000.5 | 864.7 | 1,563.5 | 19,681.2 |

Total interest receivable and total interest payable include intra-group interest of £487.3 million and total assets employed include intra-group items of £11,754.2 million.

The UK segment includes the results of the Group's operation in Switzerland and the problem country debt unit.

1. Segmental information (continued)

By geographic segment

| | 6 months ended 30.6.92 | | | | | | |
|---|--|--------------------------------|----------------------|-----------------|--------------------|---|-------------------|
| | Asia Pacific Hong Kong £million | Other Countries £million | Americas £million | UK £million | Africa £million | Middle East and S. Asia £million | Total £million |
| Interest receivable | 297.1 | 329.6 | 83.7 | 733.8 | 92.9 | 74.2 | 1,611.3 |
| Interest payable | (187.0) | (243.4) | (72.6) | (670.3) | (61.7) | (52.4) | (1,287.4) |
| Net interest income | 110.1 | 86.2 | 11.1 | 63.5 | 31.2 | 21.8 | 323.9 |
| Fees and commissions receivable, net | 36.4 | 31.2 | 11.6 | 23.5 | 15.0 | 7.5 | 125.2 |
| Dealing profits and exchange | 6.6 | 21.5 | 2.9 | 17.3 | 5.2 | (4.6) | 48.9 |
| Other operating income | 2.0 | 4.5 | 1.1 | 13.4 | 1.5 | 0.9 | 23.4 |
| Net revenue | 155.1 | 143.4 | 26.7 | 117.7 | 52.9 | 25.6 | 521.4 |
| Total expenses | (91.4) | (93.3) | (26.3) | (86.5) | (33.9) | (21.6) | (353.0) |
| Profit before charge for debts | 63.7 | 50.1 | 0.4 | 31.2 | 19.0 | 4.0 | 168.4 |
| Charge for debts | 28.7 | 2.0 | (6.2) | (37.3) | (2.1) | (102.7) | (117.6) |
| Trading profit | 92.4 | 52.1 | (5.8) | (6.1) | 16.9 | (98.7) | 50.8 |
| Share of results of associated undertakings | — | 0.6 | — | 6.3 | 0.9 | 0.7 | 8.5 |
| Profit before taxation | 92.4 | 52.7 | (5.8) | 0.2 | 17.8 | (98.0) | 59.3 |
| Total assets employed | 8,351.3 | 8,354.1 | 1,695.2 | 13,971.7 | 1,323.7 | 1,994.5 | 35,690.5 |
| Net assets employed | 188.2 | 256.7 | 50.0 | 333.6 | 44.3 | 76.1 | 948.9 |
| Total risk weighted assets and contingents | 3,529.4 | 4,505.5 | 903.0 | 6,686.7 | 800.7 | 1,374.7 | 17,800.0 |

Total interest receivable and total interest payable include intra-group interest of £598.3 million and total assets employed include intra-group items of £9,607.6 million.

The UK segment includes the results of the Group's operation in Switzerland and the problem country debt unit.

1. Segmental information (continued)

By geographic segment

| | 12 months ended 31.12.92 | | | | | | |
|---|--|--------------------------------|----------------------|-----------------|--------------------|---|-------------------|
| | Asia Pacific Hong Kong £million | Other Countries £million | Americas £million | UK £million | Africa £million | Middle East and S. Asia £million | Total £million |
| Interest receivable | 759.4 | 780.3 | 182.9 | 1,443.7 | 218.3 | 190.1 | 3,574.7 |
| Interest payable | (446.9) | (548.7) | (154.0) | (1,310.6) | (140.8) | (151.3) | (2,752.3) |
| Net interest income | 312.5 | 231.6 | 28.9 | 133.1 | 77.5 | 38.8 | 822.4 |
| Fees and commissions receivable, net | 100.2 | 82.9 | 30.4 | 51.1 | 36.0 | 18.3 | 318.9 |
| Dealing profits and exchange | 3.6 | 48.0 | 11.9 | 28.2 | 13.7 | 6.1 | 111.5 |
| Other operating income | 1.6 | 13.6 | 4.5 | 26.0 | 3.0 | 1.5 | 50.2 |
| Net revenue | 417.9 | 376.1 | 75.7 | 238.4 | 130.2 | 64.7 | 1,303.0 |
| Total expenses | (240.5) | (239.4) | (68.7) | (182.9) | (83.7) | (56.1) | (871.3) |
| Profit before charge for debts | 177.4 | 136.7 | 7.0 | 55.5 | 46.5 | 8.6 | 431.7 |
| Charge for debts | 54.1 | 12.5 | (26.7) | (122.1) | (7.7) | (276.3) | (366.2) |
| Trading profit | 231.5 | 149.2 | (19.7) | (66.6) | 38.8 | (267.7) | 65.5 |
| Share of results of associated undertakings | (0.1) | 2.1 | 0.4 | 12.4 | 3.2 | 2.7 | 20.7 |
| Profit before exceptional items | 231.4 | 151.3 | (19.3) | (54.2) | 42.0 | (265.0) | 86.2 |
| Exceptional items | 100.5 | 13.5 | — | — | — | (3.0) | 111.0 |
| Profit before taxation | 331.9 | 164.8 | (19.3) | (54.2) | 42.0 | (268.0) | 197.2 |
| Total assets employed | 9,776.1 | 10,922.9 | 2,069.1 | 14,054.9 | 1,614.3 | 2,949.0 | 41,386.3 |
| Net assets employed | 226.7 | 290.8 | 59.6 | 286.0 | 50.8 | 90.3 | 1,004.2 |
| Total risk weighted assets and contingents | 4,317.5 | 5,531.5 | 1,135.0 | 6,339.0 | 966.0 | 1,720.0 | 20,009.0 |

Total interest receivable and total interest payable include intra-group interest of £1,280.9 million and total assets employed include intra-group items of £11,957.8 million.

The UK segment includes the results of the Group's operation in Switzerland and the problem country debt unit.

1. Segmental information (continued)

By class of business

| | 6 months ended 30.6.93 | | | Total £million |
|------------------------|-----------------------------------|---------------------------------|--|-------------------|
| | Commercial banking £million | Other businesses £million | Problem country debt £million | |
| Profit before taxation | <u>116.5</u> | <u>50.2</u> | <u>2.1</u> | <u>168.8</u> |
| Total assets employed | <u>37,391.6</u> | <u>4,967.8</u> | <u>798.0</u> | <u>43,157.4</u> |
| Net assets employed | <u>930.6</u> | <u>139.5</u> | <u>—</u> | <u>1,070.1</u> |
| | | | | |
| | 6 months ended 30.6.92 | | | Total £million |
| | Commercial banking £million | Other businesses £million | Problem country debt £million | |
| Profit before taxation | <u>34.3</u> | <u>28.5</u> | <u>(3.5)</u> | <u>59.3</u> |
| Total assets employed | <u>32,142.1</u> | <u>2,876.0</u> | <u>672.4</u> | <u>35,690.5</u> |
| Net assets employed | <u>823.2</u> | <u>125.7</u> | <u>—</u> | <u>948.9</u> |

Total assets employed include intra-group items of £11,754.2 million (30.6.92 — £9,607.6 million).

Other businesses include bullion dealing, instalment finance, leasing, merchant banking, stockbroking, funds management, custodial and trustee services.

The analysis of profits and assets by geographic segment is based on the location of the office in which the business is recorded.

Group central expenses, the benefit of the Group's capital, and central assets have been attributed across the segments, excluding problem country debt (included in the UK segment), in proportion to their risk weighted assets. Group capital (representing net assets employed) is used to support risk weighted assets and is, therefore, attributed to segments in the same proportion. The Group's portfolio of problem country debt, included in the UK segment, does not attract such attributions.

2. Taxation

The charge for taxation amounts to:

| | 6 months ended 30.6.93 £million | 6 months ended 30.6.92 £million | 12 months ended 31.12.92 £million |
|--------------------------|--|--|--|
| Company and subsidiaries | <u>70.9</u> | <u>47.9</u> | <u>119.6</u> |
| Associated undertakings | <u>1.8</u> | <u>3.1</u> | <u>6.2</u> |
| Total tax charge | <u>72.7</u> | <u>51.0</u> | <u>125.8</u> |

The charge for the six months ended 30 June 1993 includes ACT written off of £3.8 million.

3. Dividend

| | 6 months ended 30.6.93 | | 6 months ended 30.6.92 | |
|------------------|---------------------------|-------------|---------------------------|-------------|
| | Pence per share | £million | Pence per share | £million |
| Interim dividend | <u>7.5p</u> | <u>17.9</u> | <u>7.0p</u> | <u>16.5</u> |

The 1993 interim dividend of 7.5 pence per share will be paid on 21 October 1993 to shareholders on the register at the close of business on 26 August 1993.

Shareholders will be entitled, if they wish, to elect to receive shares credited as fully paid in lieu of the interim dividend (or part thereof). Details will be sent to shareholders in early-September, 1993.

4. Earnings per share

| | 6 months ended 30.6.93 | | 6 months ended 30.6.92 | | 12 months ended 31.12.92 | |
|--|---------------------------|----------------|---------------------------|----------------|-----------------------------|-----------------|
| | Earnings | | Earnings | | Earnings | |
| | Pence per share | £million | Pence per share | £million | Pence per share | £million |
| Net basis — profit after taxation and minority interests | <u>37.3p</u> | <u>88.4</u> | <u>2.4p</u> | <u>5.6</u> | <u>27.0p</u> | <u>63.5</u> |
| Nil distribution basis — profit after taxation and minority interests but before charge for ACT | <u>38.9p</u> | <u>92.2</u> | <u>4.4p</u> | <u>10.4</u> | <u>31.7p</u> | <u>74.5</u> |
| | | <u>30.6.93</u> | | <u>30.6.92</u> | | <u>31.12.92</u> |
| | | <u>million</u> | | <u>million</u> | | <u>million</u> |
| Weighted average number of shares in issue | | <u>237.3</u> | | <u>234.6</u> | | <u>235.3</u> |

5. Shareholders' funds

| | Share capital £million | Share premium £million | Revaluation reserve £million | Profit and loss £million | Total shareholders' funds £million |
|--|------------------------------|------------------------------|------------------------------------|--------------------------------|---|
| Shareholders' funds at 1 January 1993 | 236.5 | 351.3 | 68.2 | 348.2 | 1,004.2 |
| Exchange translation differences | — | — | (7.2) | (5.0) | (12.2) |
| Shares issued: | | | | | |
| Under employee share schemes | 1.4 | 5.2 | — | — | 6.6 |
| In lieu of cash dividend | 0.2 | (0.2) | — | 1.0 | 1.0 |
| Retained profit | — | — | — | 70.5 | 70.5 |
| Realised on disposal of premises | — | — | (15.4) | 15.4 | — |
| Shareholders' funds at 30 June 1993 | <u>238.1</u> | <u>356.3</u> | <u>45.6</u> | <u>430.1</u> | <u>1,070.1</u> |

6. Provisions for bad and doubtful debts

Loans and advances are stated after deducting provisions for bad and doubtful debts.

| | 6 months ended 30.6.93 | | | 12 months ended 31.12.92 | | |
|---|------------------------|---------------------|-------------------|--------------------------|---------------------|-------------------|
| | Specific £million | General £million | Total £million | Specific £million | General £million | Total £million |
| Provisions against loans and advances other than problem country debt: | | | | | | |
| Provisions held at 1 January | 672.4 | 319.7 | 992.1 | 558.0 | 94.9 | 652.9 |
| Exchange translation differences | (2.5) | (0.5) | (3.0) | 53.3 | 14.1 | 67.4 |
| Provisions applied against debts | (35.4) | — | (35.4) | (154.5) | — | (154.5) |
| Recoveries of amounts previously written off | 5.5 | — | 5.5 | 41.8 | — | 41.8 |
| Reclassification of provisions | — | — | — | — | 18.3 | 18.3 |
| Other movements | 1.7 | 0.8 | 2.5 | — | — | — |
| Charges against profit | 145.2 | — | 145.2 | 254.3 | 210.7 | 465.0 |
| Recoveries/releases to profit | (18.2) | — | (18.2) | (80.5) | (18.3) | (98.8) |
| | <u>127.0</u> | <u>—</u> | <u>127.0</u> | <u>173.8</u> | <u>192.4</u> | <u>366.2</u> |
| Provisions held at period end | <u>768.7</u> | <u>320.0</u> | <u>1,088.7</u> | <u>672.4</u> | <u>319.7</u> | <u>992.1</u> |
| Provisions against problem country debt: | | | | | | |
| Provisions held at 1 January | 523.0 | — | 523.0 | 462.2 | 11.0 | 473.2 |
| Exchange translation differences | — | — | — | 105.2 | — | 105.2 |
| Provisions applied against debts | (55.9) | — | (55.9) | (37.1) | — | (37.1) |
| Reclassification of provisions | — | — | — | — | (18.3) | (18.3) |
| Other movements | 5.5 | — | 5.5 | (7.3) | 7.3 | — |
| Provisions held at period end | <u>472.6</u> | <u>—</u> | <u>472.6</u> | <u>523.0</u> | <u>—</u> | <u>523.0</u> |
| Total provisions held at period end against: | | | | | | |
| Loans and advances to banks | 81.5 | 210.0 | 291.5 | 79.4 | 210.0 | 289.4 |
| Loans and advances to customers | <u>1,159.8</u> | <u>110.0</u> | <u>1,269.8</u> | <u>1,116.0</u> | <u>109.7</u> | <u>1,225.7</u> |
| | <u>1,241.3</u> | <u>320.0</u> | <u>1,561.3</u> | <u>1,195.4</u> | <u>319.7</u> | <u>1,515.1</u> |

7. Problem country exposure

Provisionable exposure to problem countries has reduced by US\$291 million to US\$1,891 million. Of this reduction US\$44 million represented repayments at par, US\$240 million represented asset sales, and the balance related to foreign exchange movements on non-dollar exposures.

The exposure to lesser developed countries has reduced by US\$53 million to US\$823 million and the provisioning level against the exposure has risen from 72% to 76%.

The portfolio of enhanced par bonds has been reduced by US\$217 million to US\$328 million and a provision of 32% is held against this exposure.

The exposure to South Africa has reduced by US\$21 million to US\$740 million, against which a 5% provision continues to be maintained.

8. Capital ratios

| | 30.6.93 | 30.6.92 | 31.12.92 |
|---|---------------|---------------|---------------|
| | £million | £million | £million |
| Tier 1 capital | 1,064 | 865 | 972 |
| Tier 2 capital | 1,064 | 865 | 972 |
| | 2,128 | 1,730 | 1,944 |
| Less supervisory deductions | (31) | (10) | (11) |
| Capital base | 2,097 | 1,720 | 1,933 |
| Surplus Tier 2 capital | 372 | 443 | 486 |
| Risk weighted assets | 16,087 | 14,490 | 16,190 |
| Risk weighted contingents | 3,594 | 3,310 | 3,819 |
| Total risk weighted assets and contingents | 19,681 | 17,800 | 20,009 |
| Basle convergence ratios | | | |
| Tier 1 capital | 5.4% | 4.9% | 4.9% |
| Total capital | 10.7% | 9.7% | 9.7% |

9. Accounting policies

Accounting policies are unchanged from those set out in the 1992 Annual Report and Accounts.

10. Modifications to accounting treatment

Following clarification issued by the Urgent Issues Task Force on accounting for operations in hyper-inflationary economies, losses of £12.7 million on translation of the Group's investment in the net monetary assets of businesses operating in such economies have been charged to the profit and loss account for the six months ended 30 June 1993, and included in "Dealing Profits and Exchange". In previous accounting periods such losses would have been charged directly to shareholders' funds. Prior year figures have been restated, and charges against profits of £4.3 million for the six months ended 30 June 1992 and £4.8 million for the 12 months ended 31 December 1992 have been made with consequential reduction in the exchange losses taken to shareholders' funds.

With the implementation of the Companies Act 1985 (Bank Accounts) Regulations 1991 and British Bankers' Association's Statement of Recommended Accounting Practice on Off Balance Sheet Instruments and Other Commitments and Contingent Liabilities, the positive values of the mark to market adjustments of off balance sheet instruments are treated as assets and negative values are treated as liabilities unless a legal right of set-off exists when only a net amount will be shown. In previous years these amounts have been offset and a net amount included on the balance sheet. This

has resulted in an increase in total assets at 30 June 1993 of £1.5 billion included in "Other Assets" with a corresponding increase in total liabilities. Prior period figures at 30 June 1992 and at 31 December 1992 have been restated, with total assets and liabilities increasing by £1.8 billion and £2.1 billion respectively.

Report of the Auditors to Standard Chartered PLC

We have carried out a limited review of the financial information which the Directors have presented on pages 5 to 16 of the interim report for the six months ended 30 June 1993.

Our review consisted principally of obtaining an understanding of the process involved in the preparation of the information, applying analytical procedures to financial data, and making enquiries of management responsible for financial and accounting matters. It was substantially less in scope than an audit in accordance with Auditing Standards: the objective of an audit is the expression of an opinion on the truth and fairness of accounts taken as a whole, and accordingly we do not express such an opinion.

In our opinion, the interim financial information has been prepared with due care using accounting policies consistent with those adopted by the Company in its accounts for the year ended 31 December 1992.

KPMG Peat Marwick
Chartered Accountants

London
12 August 1993

The financial information included herein for the 12 months ended 31 December 1992 is based upon the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under the following sections of the Companies Act 1985: Section 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanation)."

Note: The references to page numbers in this section refer to page numbers in the interim report as published on 12th August, 1993. The pages referred to are reproduced on pages 14 to 24 of this document.

PART II — DESCRIPTION OF THE PREFERENCE SHARES

At an Extraordinary General Meeting of the Company held on 3rd December, 1993, a special resolution was passed, *inter alia*, to increase the authorised share capital of the Company by the creation of sterling preference shares and an ordinary resolution was passed, *inter alia*, to authorise the Directors to allot and issue all or any of such preference shares, subject to certain restrictions, at any time prior to the conclusion of the Annual General Meeting of the Company to be held in 1994. The terms of, and the rights attaching to, the Preference Shares are contained in the Company's Articles of Association (the "Articles") and in a resolution of a duly constituted Committee of the Board passed on 8th December, 1993 and are as set out below.

Denomination and Form

The Preference Shares will have a nominal value of £1 each and will be issued fully paid for cash. The Preference Shares will be in registered form, and will rank *pari passu inter se* and in priority to the Ordinary Shares.

The Preference Shares may be transferred by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer, unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate (if any) for the shares to which it relates and/or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of share; and
- (c) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

The Board may also decline to register the transfer of any share which is not fully paid.

Dividends

- (i) Each Preference Share shall entitle the holder thereof to receive out of the profits of the Company available for distribution and permitted by law to be distributed, in priority to the payment of any dividend to the holders of Ordinary Shares, a non-cumulative preferential dividend at a rate of $7\frac{3}{8}$ per cent. per annum exclusive of any applicable tax credit which will be payable in equal half-yearly instalments in arrear on 1st April and 1st October in each year or, if any such day is not a business day, the next following business day (each, a "dividend payment date"), when, as and if declared by the Directors, except that the first dividend instalment shall be payable in respect of the period from and including 22nd December, 1993 up to but excluding 1st April, 1994. Subject to paragraph (iii) below, such dividend shall be paid to the extent that payment can be made out of the profits of the Company available for distribution under the Companies Acts. In this paragraph, "business day" means a day (other than a Saturday or Sunday) on which banks in the City of London are open for business.
- (ii) (a) If on any dividend payment date the profits of the Company available for distribution are, in the opinion of the Board, insufficient to enable payment in full to be made of the dividend which would otherwise fall to be payable on such dividend payment date (the "relevant dividend"), then none of the relevant dividend shall be payable; and

- (b) if it shall subsequently appear that any such dividend which has been paid should not, in accordance with the provisions of this sub-paragraph have been so paid, then provided the Board shall have acted in good faith they shall not incur any liability for any loss which any shareholder may suffer in consequence of such payment having been made.
- (iii) If, in the opinion of the Board, the payment of any dividend on the Preference Shares would breach or cause a breach of the Bank of England's capital adequacy requirements from time to time applicable to the Company, the Group or any subsidiary or associated undertaking of the Company, then none of such dividend shall be payable.
- (iv) If a dividend or any part thereof on the Preference Shares is not paid for the reasons specified in sub-paragraphs (ii) or (iii) above, the holders of such shares shall have no claim in respect of such non-payment save as provided in sub-paragraph (v) below.
- (v) (a) The provisions of this sub-paragraph (v) shall apply where:
 - (1) any dividend otherwise payable on a particular date on the Preference Shares (a "relevant instalment") is, for the reasons specified in sub-paragraphs (ii) or (iii) above, not payable;
 - (2) (aa) any special dividend referred to in sub-paragraph (vi) below shall have been paid in full or a sum shall have been set aside to provide for such payment in full; and
 - (bb) all dividends which are payable on or before the relevant dividend payment date on any shares in the capital of the Company ranking in priority to the Preference Shares as to participation in profits shall have been paid in full or a sum shall have been set aside to provide for such payment in full or, in the case of any such shares which confer a right to additional shares by way of capitalisation of profits or reserves in lieu of the payment of such dividend, the additional shares to which the holders of such shares are so entitled to receive in the absence of payment of any such dividend shall have been allotted to them; and
 - (3) the amounts (if any) standing to the credit of any of the Company's reserve accounts, including capital redemption reserve (if any) and share premium account (if any), or profit and loss account and available for the purpose are in aggregate sufficient to be applied and capable of being applied in paying up in full at par additional preference shares on the basis hereinafter provided in this sub-paragraph (v) in respect of the Preference Shares, together with such additional preference shares as may fall to be allotted in accordance with, or on terms similar to those described in, this sub-paragraph (v) to the holders of any other shares in the capital of the Company which rank *pari passu* as to participation in profits with the Preference Shares;
- (b) on the date for payment of the relevant instalment had such instalment been paid, the Board shall, subject to the Companies Acts, allot and issue credited as fully paid to each holder of Preference Shares such additional nominal amount of preference shares of the same denomination as the Preference Shares (disregarding any fractional entitlement) as is equal to an amount determined by multiplying the cash amount of the relevant instalment which would have been payable to him had such instalment been payable (exclusive of any associated tax credit) by a factor of five-fourths;

- (c) as from the date of allotment thereof, the additional preference shares so allotted pursuant to this sub-paragraph (v) shall confer the same rights and be subject to the same limitations as, and shall rank *pari passu* in all respects with, the Preference Shares save only as regards participation in the relevant instalment; and
- (d) if any additional preference shares falling to be allotted pursuant to this sub-paragraph (v) cannot be allotted by reason of any insufficiency in the Company's authorised share capital or in the amount of relevant securities which the Board is authorised to allot in accordance with Section 80 of the Companies Act 1985, the Board shall convene a general meeting, to be held as soon as practicable, for the purpose of considering a resolution or resolutions effecting an appropriate increase in the authorised share capital and granting the Board appropriate authority to allot relevant securities.
- (vi) In any calendar year, whether or not any dividend on the Preference Shares has been paid in full and notwithstanding any provision of the Articles, the Board may, if it so resolves and subject to the Companies Acts, pay (or set aside a sufficient sum for payment of) a special dividend of 0.1p (one tenth of one penny) per share on any shares in the capital of the Company in respect of which no dividend has previously been paid in that calendar year. References elsewhere in these terms of issue to any dividend payable on any preference shares shall not be treated as including a reference to any special dividend paid on any preference shares pursuant to this sub-paragraph (vi).
- (vii) Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall be forfeited and shall revert to the Company and the payment by the Board of any unclaimed dividend or other sum payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect of it.

Capital

On a winding up or other return of capital (other than a redemption, reduction or purchase by the Company of any of its issued shares), the assets of the Company available to shareholders shall be applied, in priority to any payment to the holders of Ordinary Shares and in priority to or *pari passu* with the holders of any other class of shares in issue (other than shares which by their terms rank in priority to the Preference Shares in a winding-up or other return of capital), in payment to the holders of the Preference Shares of a sum equal to the aggregate of:

- (i) an amount equal to the dividends accrued thereon for the then current dividend period to the date of the commencement of the winding up or other return of capital, but only to the extent that any such amount was, or would have been, payable as a cash dividend;
- (ii) an amount equal to any dividend thereon which has been resolved to be paid on or after the date of commencement of the winding-up or other return of capital but which is payable in respect of a dividend period ending on or before such date; and
- (iii) the amount paid up or credited as paid up in respect of the nominal value of such Preference Shares.

Redemption

The Preference Shares shall not be redeemable.

Voting

- (i) The holders of Preference Shares shall not be entitled to attend or vote at any general meeting of the Company except:
 - (a) where the dividend which is (or, but for the provisions described in paragraphs (ii) and (iii) under the heading "Dividends" above would be) most recently payable on such share shall not have been paid in full in cash; or
 - (b) where a resolution is to be proposed at the meeting varying or abrogating any of the rights, preferences, privileges, limitations or restrictions attached to any class of shares of which such share forms part (and then only to speak and vote upon any such resolution).
- (ii) Whenever holders of Preference Shares are entitled to vote on a resolution, on a show of hands every such holder who is present in person shall have one vote and on a poll every such holder who is present in person or by proxy shall have one vote in respect of each Preference Share held by him.

Purchases

Subject to the provisions of the Companies Acts, the Company may purchase all or any of its shares of any class, including any redeemable shares. Purchases or contracts for the purchase of, or under which the Company may become entitled or obliged to purchase, shares in the Company shall be authorised by such resolution of the Company as may be required by the Companies Acts and by an extraordinary resolution passed at a separate general meeting of the holders of any class of shares which at the date on which the purchases or contracts are authorised by the Company in general meeting entitle them, either immediately or at any time later on, to convert all or any of the shares of that class held by them into equity share capital of the Company. Neither the Company nor the Board shall be required to select the shares to be purchased rateably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares. No repurchase of Preference Shares will be made without the prior consent of the Bank of England.

Capitalisation of Reserves

- (i) Save with the written consent of the holders of three-quarters in nominal value of the Preference Shares then in issue, or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Preference Shares then in issue, the Company may not capitalise all or any part of its distributable reserves if and in so far as following such capitalisation its distributable reserves, when aggregated with the distributable reserves of all its subsidiaries, would amount in aggregate to less than 10 times the aggregate annual amount of any dividends payable in respect of all preference shares in issue at the time of such capitalisation. For these purposes any variable dividend shall be regarded as being payable at an annualised rate calculated by reference to the immediately preceding dividend payment and any dividend not payable in sterling shall be converted to sterling at the exchange rate prevailing on the date for payment of the immediately preceding dividend.
- (ii) Notwithstanding paragraph (i) above, the Company may at any time capitalise distributable reserves for the purpose of paying up new Ordinary Shares to be

distributed to members in circumstances where those members have elected to receive those Ordinary Shares in lieu of a cash dividend and/or for the purpose of paying up additional preference shares to be distributed to holders of the Preference Shares or any other preference shares then in issue ranking ahead of or *pari passu* with the Preference Shares on the basis provided in sub-paragraph (v) above under the heading “Dividends” or on terms similar to those described therein.

Variations of Rights and Further Issues

- (i) Save with the written consent of the holders of three-quarters in nominal value of the Preference Shares then in issue, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Preference Shares then in issue:
 - (a) the Board shall not authorise or create, or increase the amount of, any shares of any class or any security convertible into shares of any class ranking as regards participation in the profits or assets of the Company (other than on a redemption or purchase by the Company of any such share) in priority to the Preference Shares; or
 - (b) the Company shall not designate all or any part of any dividend paid or payable on the Preference Shares as a “foreign income dividend” under the regime proposed in the Chancellor’s Budget speech on 30th November, 1993 or make any election to pay all or any part of any dividend in circumstances in which any holder of Preference Shares would not be entitled to a tax credit in respect of any such dividend or part thereof but would have been so entitled if the Company had not made such an election or designation.
- (ii) The Company shall be entitled at any time and from time to time and without any consent or sanction of the holders of the Preference Shares to create and issue further preference share capital ranking as regards participation in the profits and assets of the Company after or *pari passu* with the Preference Shares. Such creation and issue shall be deemed not to alter, vary, affect, modify or abrogate any of the rights attaching to the Preference Shares and for the avoidance of doubt such rights shall not be deemed to be varied by the alteration of any of the provisions, other than provisions as to *pari passu* ranking, set out in the Articles in respect of any unissued preference shares. Any further series of preference shares ranking, as regards participation in profits or assets, *pari passu* with the Preference Shares may, without their creation or issue being deemed to vary the special rights attaching to the Preference Shares, either carry identical rights in all respects with the Preference Shares or carry rights differing therefrom in any respect including, but without prejudice to the foregoing, in that:
 - (a) the rate and/or basis of calculating the dividend may differ and the dividend may be cumulative or non-cumulative;
 - (b) such shares may rank for dividends as from such date as may be provided by the terms of issue thereof and the dates for payment of dividend may differ;
 - (c) such shares may be denominated in any currency or, if permitted by law, any basket of currencies;
 - (d) a premium may be payable on return of capital or there may be no such premium;
 - (e) such shares may be redeemable at the option of the Company or may be non-redeemable;

- (f) such shares may carry a right to additional shares by way of capitalisation of profits or reserves similar to that attaching to the Preference Shares; and
 - (g) such shares may be convertible into Ordinary Shares or any other class of shares ranking as regards participation in the profits and assets of the Company *pari passu* with or after the Preference Shares, in each case on such terms and conditions as may be prescribed by the terms of issue thereof.
- (iii) Save with the written consent of the holders of three-quarters in nominal value of the Preference Shares then in issue, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Preference Shares then in issue, the Board shall not allot any further preference shares ranking, as regards participation in profits or assets of the Company, *pari passu* with the Preference Shares except for the purpose of paying up additional preference shares to be distributed to holders of the Preference Shares or any other preference shares then in issue ranking ahead of or *pari passu* with the Preference Shares, unless:
- (a) the aggregate nominal value of all such preference shares in issue immediately following such allotment, together with any associated share premium repayable on a winding up, would not exceed 25 per cent. of the aggregate of the Company's issued share capital and reserves as shown in its then most recent published audited accounts and as increased by any subsequent allotments of shares; and
 - (b) the aggregate amount of any dividends payable in respect of all such preference shares in issue following such allotment, would not exceed 25 per cent. of the arithmetic mean of the Group's consolidated profit after tax but before extraordinary items for the preceding three financial years as shown in its relative published audited accounts. For these purposes any variable dividend shall be regarded as being payable at an annualised rate calculated by reference to the immediately preceding dividend payment and any dividend not payable in sterling shall be converted to sterling at the exchange rate prevailing on the date for payment of the immediately preceding dividend. Where the issue of further preference shares carries a variable dividend and/or a dividend not payable in sterling, such dividend shall be regarded as being payable at an annualised rate calculated by reference to the dividend which would have been paid, and/or shall be converted to sterling at the exchange rate prevailing, on the immediately preceding payment date, had such shares been in issue on that date.

Notices

Any notice required to be given by the Company to the holders of the Preference Shares will be given in accordance with the Articles.

Registrar and Paying Agent

National Westminster Bank Plc, Registrars' Department, P.O. Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH, England will act as registrar and paying agent for the Preference Shares.

PART III — ACCOUNTANTS' REPORT

The following is an Accountants' Report for the three years ended 31st December, 1992 prepared by KPMG Peat Marwick, Chartered Accountants, London.



PO Box 486
1 Puddle Dock
Blackfriars
London EC4V 3PD

The Directors
Standard Chartered PLC
1 Aldermanbury Square
London EC2V 7SB

The Directors
J. Henry Schroder Wagg & Co. Limited
120 Cheapside
London EC2V 6DS

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

The Directors
Salomon Brothers International Limited
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0SB

9th December, 1993

Dear Sirs,

Standard Chartered PLC

We have examined the audited accounts of Standard Chartered PLC ("the Company") and of its subsidiary companies (collectively referred to as "the Group") for the three years ended 31st December, 1992; our examination has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant, issued by the Auditing Practices Board.

Details relating to the auditors during the period are set out in note 4.1.

No audited accounts of the Group have been drawn up in respect of any period subsequent to 31st December, 1992.

The summarised accounts set out in sections 1 to 4, prepared on the basis described in section 4.1, are based on the audited accounts of the Group as restated and after making such adjustments as we consider necessary.

In our opinion those summaries give, for the purposes of the listing particulars dated 9th December, 1993 a true and fair view of the state of affairs of the Group and of the Company, and of the profits and cash flows of the Group for the periods and as at the dates stated.

1 CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The consolidated profit and loss accounts of Standard Chartered PLC and its subsidiaries for the three years ended 31st December, 1992 are as follows:

| | | 1990 | 1991 | 1992 |
|---|---------------|---------|---------|---------|
| | <i>Note</i> | £m | £m | £m |
| Profit before charge for debts | 4.3.1 | 312.0 | 344.4 | 431.7 |
| Charge for bad and doubtful debts | | (174.7) | (159.4) | (366.2) |
| Amounts written off fixed asset investments | | — | (6.0) | — |
| Trading profit | | 137.3 | 179.0 | 65.5 |
| Share of results of associated undertakings | | 11.7 | 16.7 | 20.7 |
| Profit before exceptional items | | 149.0 | 195.7 | 86.2 |
| Exceptional items: | | | | |
| Surplus on disposal of premises | | — | — | 111.0 |
| Loss on sale of operations | | — | (36.1) | — |
| Profit before taxation | | 149.0 | 159.6 | 197.2 |
| Taxation | 4.3.6 | (117.3) | (94.4) | (125.8) |
| Minority interests | | (3.0) | (7.4) | (7.9) |
| Profit after taxation and minority interests | | 28.7 | 57.8 | 63.5 |
| Dividends | 4.3.7 | (46.8) | (46.9) | (47.2) |
| Amount retained/(deficit) | 4.3.24 | (18.1) | 10.9 | 16.3 |
| Earnings per share | 4.3.8 | 12.3p | 24.7p | 27.0p |

2 BALANCE SHEETS

The balance sheets of the Group and the Company at the end of each of the three years covered by this report are as follows:

| CONSOLIDATED BALANCE SHEETS | | 1990 | 1991 | 1992 |
|---|-------------|-----------------|-----------------|-----------------|
| | <i>Note</i> | £m | £m | £m |
| Assets | | | | |
| Cash and balances at central banks | | 135.1 | 160.3 | 522.7 |
| Cheques in course of collection | | 62.8 | 46.0 | 47.0 |
| Treasury bills and other eligible bills | | 176.5 | 159.0 | 388.1 |
| Loans and advances to banks and customers | 4.3.9 | 18,049.3 | 19,657.3 | 21,770.2 |
| Debt securities and equity shares | 4.3.12 | 1,379.5 | 1,541.0 | 2,281.1 |
| Interests in associated undertakings | 4.3.13 | 48.8 | 51.5 | 29.1 |
| Other participating interests | 4.3.14 | 14.2 | 22.4 | 24.2 |
| Tangible fixed assets | 4.3.15 | 367.6 | 376.5 | 354.7 |
| Other assets | 4.3.16* | 1,284.1 | 1,073.6 | 3,654.8 |
| Prepayments and accrued income | | 622.7 | 382.4 | 356.6 |
| Total assets | | <u>22,140.6</u> | <u>23,470.0</u> | <u>29,428.5</u> |
| Liabilities, Minority Interests and Shareholders' Equity | | | | |
| Deposits by banks, customer accounts and debt securities in issue | 4.3.18 | 17,995.3 | 19,505.7 | 22,689.1 |
| Other liabilities | 4.3.19* | 1,505.6 | 1,370.5 | 3,864.0 |
| Accruals and deferred income | | 309.6 | 305.6 | 376.2 |
| Provisions for liabilities and charges: | | | | |
| Deferred taxation | 4.3.20 | — | 1.7 | 2.9 |
| Other provision for liabilities and charges | | 79.8 | 76.6 | 63.4 |
| Subordinated liabilities: | | | | |
| Undated loan capital | 4.3.21 | 823.6 | 844.8 | 1,006.7 |
| Dated loan capital | 4.3.22 | 406.4 | 370.1 | 385.9 |
| Minority interests | | 30.4 | 28.0 | 36.1 |
| Share capital | 4.3.23 | 234.0 | 234.4 | 236.5 |
| Reserves | 4.3.24 | <u>755.9</u> | <u>732.6</u> | <u>767.7</u> |
| Total liabilities, minority interests and shareholders' equity | | <u>22,140.6</u> | <u>23,470.0</u> | <u>29,428.5</u> |

* As disclosed more fully in the notes to other assets and other liabilities, balances representing mark to market adjustments on certain foreign exchange and other dealing contracts as at 31st December, 1992 have been shown as separate assets and liabilities, rather than, as in prior years, being presented as a net asset or liability item. It has not been practicable to make corresponding adjustments to the relevant amounts as at 31st December, 1990 and 1991. Accordingly, other assets, other liabilities and total balance sheet footings for these years are not comparable with those as at 31st December, 1992.

COMPANY BALANCE SHEETS

| | <i>Note</i> | 1990 £m | 1991 £m | 1992 £m |
|--|-------------|----------------|----------------|----------------|
| Fixed assets | | | | |
| Investments: | | | | |
| Subsidiary undertakings | 4.3.17 | <u>1,907.5</u> | <u>1,901.6</u> | <u>2,169.7</u> |
| Current assets | | | | |
| Amounts owed by subsidiary undertakings | | 141.1 | 66.8 | — |
| Current taxation | 4.3.20 | — | 23.4 | — |
| Other debtors | | <u>31.3</u> | <u>56.3</u> | <u>85.6</u> |
| | | <u>172.4</u> | <u>146.5</u> | <u>85.6</u> |
| Creditors: Amounts due within one year | | | | |
| Proposed dividend | | 17.6 | 30.5 | 30.7 |
| Current taxation | 4.3.20 | 13.1 | — | 2.9 |
| Amounts owed to subsidiary undertakings | | — | — | 11.5 |
| Other creditors | | 3.3 | 1.3 | 1.2 |
| Accrued interest | | <u>21.2</u> | <u>16.1</u> | <u>13.0</u> |
| | | <u>55.2</u> | <u>47.9</u> | <u>59.3</u> |
| Net current assets | | <u>117.2</u> | <u>98.6</u> | <u>26.3</u> |
| Total assets less current liabilities | | 2,024.7 | 2,000.2 | 2,196.0 |
| Creditors: Amounts due after more than one year | | | | |
| Undated subordinated loan capital | 4.3.21 | 823.6 | 844.8 | 1,006.7 |
| Dated subordinated loan capital | 4.3.22 | 206.2 | 175.0 | 161.4 |
| Provisions for liabilities and charges | | | | |
| Deferred taxation | 4.3.20 | <u>5.0</u> | <u>13.4</u> | <u>23.7</u> |
| | | <u>989.9</u> | <u>967.0</u> | <u>1,004.2</u> |
| Capital and reserves | | | | |
| Called up share capital | 4.3.23 | 234.0 | 234.4 | 236.5 |
| Reserves | 4.3.25 | <u>755.9</u> | <u>732.6</u> | <u>767.7</u> |
| | | <u>989.9</u> | <u>967.0</u> | <u>1,004.2</u> |

3 CONSOLIDATED CASH FLOW STATEMENTS

The summarised consolidated cash flow statements of Standard Chartered PLC and its subsidiaries for the three years ended 31st December, 1992 are as follows:

| Consolidated Cash Flow Statement | | 1990 | 1991 | 1992 |
|--|----------------|----------------|----------------|----------------|
| | <i>Note</i> | £m | £m | £m |
| Net cash inflow/(outflow) from operating activities | <i>4.3.30a</i> | <u>1,395.8</u> | <u>(254.4)</u> | <u>(488.4)</u> |
| Income from investments less cost of servicing financing | | | | |
| Dividends received from associated undertakings | | 6.8 | 7.5 | 10.1 |
| Income from other participating interests | | 1.1 | 0.5 | 0.6 |
| Interest paid on subordinated loan capital | | (131.4) | (104.9) | (91.6) |
| Dividends paid to minority shareholders of subsidiary undertakings | | (4.1) | (4.4) | (5.6) |
| Dividends paid to members of the Company | | <u>(81.8)</u> | <u>(32.6)</u> | <u>(38.7)</u> |
| | | <u>(209.4)</u> | <u>(133.9)</u> | <u>(125.2)</u> |
| Taxation | | | | |
| UK taxes paid | | (33.1) | (17.6) | (14.0) |
| Overseas taxes paid | | <u>(65.8)</u> | <u>(55.1)</u> | <u>(106.3)</u> |
| | | <u>(98.9)</u> | <u>(72.7)</u> | <u>(120.3)</u> |
| Investing activities | | | | |
| Purchase of subsidiary undertakings | | — | — | (15.3) |
| Purchase of tangible fixed assets | | (88.4) | (86.2) | (101.3) |
| Additions to associated undertakings and other participating interests | | (5.5) | (13.1) | (13.5) |
| Sale of associated undertakings and other participating interests | | — | — | 40.6 |
| Sales of subsidiary undertakings | | — | — | 1.1 |
| Proceeds from sales of tangible fixed assets | | 8.6 | 19.7 | 230.4 |
| Other | | <u>(0.9)</u> | <u>(3.1)</u> | <u>(0.6)</u> |
| | | <u>(86.2)</u> | <u>(82.7)</u> | <u>141.4</u> |
| Net cash inflow/(outflow) before financing | | 1,001.3 | (543.7) | (592.5) |
| Financing | | | | |
| Proceeds from issue of ordinary share capital | <i>4.3.30d</i> | 0.8 | — | 0.7 |
| Repayments of subordinated liabilities | <i>4.3.30d</i> | <u>(71.2)</u> | <u>(35.9)</u> | <u>(20.6)</u> |
| | | <u>(70.4)</u> | <u>(35.9)</u> | <u>(19.9)</u> |
| Increase/(decrease) in cash and cash equivalents | <i>4.3.30b</i> | <u>930.9</u> | <u>(579.6)</u> | <u>(612.4)</u> |

4 NOTES TO THE SUMMARY OF FINANCIAL STATEMENTS

4.1 Basis of preparation

The consolidated results of the Group include the results of the companies comprising the Group throughout the period under review, or since their respective dates of incorporation or acquisition, where this is a shorter period. In the Group accounts, all material intra-Group transactions and balances have been eliminated on consolidation.

As at the date of this report, the Company has the following principal subsidiary undertakings:

| Company and places of incorporation or registration | Main areas of operation | Group interest in ordinary share capital |
|---|--|--|
| Commercial banking | | |
| Standard Chartered Bank England and Wales | United Kingdom, Middle East, South Asia, Asia Pacific, North America, and through Group companies, Africa and Australia | 100% |
| Instalment finance and leasing | | |
| Chartered Trust plc England and Wales | United Kingdom | 100% |
| Merchant banking | | |
| Standard Chartered Asia Limited Hong Kong | Hong Kong | 100% |
| Standard Chartered Merchant Bank Asia Limited Singapore | Singapore | 100% |
| Stockbroking | | |
| Standard Chartered Securities Limited Hong Kong | Hong Kong | 100% |

The Group's investment in CWB Capital Partners Limited ("CWB"), a company incorporated in England and Wales, amounts to 50 per cent. plus one share of its share capital. However, there are restrictions on the long term control of CWB and it has therefore not been consolidated in the Group accounts.

We have acted as auditors of the principal subsidiary undertakings comprising the Group for each of the three years ended 31st December, 1992, or since their respective dates of incorporation/acquisition where this is a shorter period, except that Deloitte Touche Tohmatsu, Hong Kong have audited the Hong Kong branch of Standard Chartered Bank, a principal subsidiary, which constitutes a significant part of the Group's operations, together with Standard Chartered Asia Limited and Standard Chartered Securities Limited.

4.2 Principal accounting policies

Accounting convention

The accounts of the Company and of the Group set out in this report have been prepared on the historical cost basis of accounting, modified by the inclusion of certain fixed assets and investments on a revalued basis.

Group accounts

The consolidated accounts for the Group comprise the accounts of the Company and its subsidiary undertakings for the year ended 31st December (with the undermentioned exception) and are drawn up in accordance with applicable Accounting Standards.

For local statutory reasons, the accounts of Standard Chartered Bank of Canada are drawn up to 31st October.

The Group's share of the results of associated undertakings is based principally on unaudited management accounts for years ended on 31st December.

Any difference between the cost of, and the fair value attributed to, the net tangible assets of subsidiary and associated undertakings at the date of acquisition is dealt with through reserves in the year of acquisition, and charged through the profit and loss account in the year of disposal.

Exchange rates

Results in foreign currencies are expressed in sterling at rates of exchange set by reference to: rates of conversion for amounts remitted to the UK; contracted forward rates for unremitted amounts sold forward; year end rates for other amounts. Assets and liabilities in foreign currencies are translated at year end rates of exchange. Differences arising from the retranslation of opening foreign currency net investments and related borrowings are dealt with through reserves, together with the differences arising from foreign currency exchange agreements relating to these investments and borrowings. Where the foreign currency net investment represents businesses operating in hyper-inflationary economies, differences arising on the translation of the net monetary assets of the businesses are dealt with in the profit and loss account and differences arising from the translation of non monetary assets are dealt with through reserves. Other exchange differences are included in the profit and loss account.

Retirement benefits

The Group operates some 60 pension schemes throughout the world and arrangements for retirement benefits for members of staff are made in various ways in accordance with local regulations and custom. The major schemes, which cover the majority of scheme members, are of the defined benefit type. The assets of the schemes are held in separate funds administered by trustees, with the exception of schemes in South Korea, Singapore and the United Arab Emirates.

Annual pension cost charges recognise the cost of providing for employees, over their expected working lives, pensions at retirement.

Bad and doubtful debts

Provisions for bad and doubtful debts are held in respect of customer outstandings, including commercial outstandings and cross border outstandings. The provisions comprise two elements — specific and general.

Provisions against commercial outstandings are based on an appraisal of the loan portfolio. Specific provisions are made where the repayment of identified loans is in doubt, and reflect estimates of the amount of loss. The general provision relates to the inherent risk of losses which, although not separately identified, is known from experience to be present in any loan portfolio; and to those identified loans where material uncertainty exists as to the quantum of specific provision required. The amount of the general provision reflects past experience, and judgement of conditions in particular locations or trading sectors.

In addition, provisions are made against cross border outstandings where it is judged that countries are experiencing or may experience severe payment difficulties and doubts exist as to whether full recovery will be achieved.

Provisions are applied to write off advances when all security has been realised and further recoveries are considered to be unlikely.

Interest on advances is accrued to profit until such time as reasonable doubt exists about its collectability; thereafter such interest is not included in advances or in provisions for bad and doubtful debts.

Disposal of assets

Profits and losses on disposal of assets are calculated by reference to net carrying amounts at the time of the disposal.

Deferred taxation

Provision is made, on the liability basis, for the tax effects arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future. No provision is made for tax which would be payable on the distribution of the retained earnings of subsidiary and associated undertakings.

Bullion and other metal dealing stocks

Bullion held to match customers' deposits or net forward contracts is stated at market value. Other metal dealing stocks are valued at the lower of cost and net realisable value.

Investments

Portfolio investments are those investments in securities and similar investments which are held for the longer term until maturity. Portfolio investments consisting of British Government and other securities redeemable at fixed dates are stated at cost adjusted for straight line amortisation of *premiums and discounts on purchase over periods to redemption*; other portfolio investments are stated at cost less any amounts written off to reflect permanent diminution in value. Gains and losses on other long term investments are dealt with in the profit and loss account as they arise.

Other investments are held with the intention of resale in the short term and are stated at valuation — listed at market value and unlisted at directors' estimate.

Trade investments are stated at cost less any amounts written off to reflect permanent diminution in value.

Investments in subsidiary undertakings are stated in the balance sheet of the Company at the aggregate of the attributable share of net tangible assets together with long term loans provided by the Company.

Asset swaps and sales

Assets acquired through debt exchange transactions are included at the directors' assessment of their fair value. Where the asset represents exposure to a country which is experiencing external payment difficulties, *it is stated at its principal amount, any provision required to reduce the exposure to its fair value being included with other provisions of a like nature.*

Assets held for sale are carried at net realisable value where this is lower than cost.

Equipment leased to customers and instalment credit

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 balance sheet amount represents total minimum lease payments less deferred income. Income from finance leases is credited to profit and loss in proportion to the funds invested. Fixed rate instalment credit agreements are treated in a similar manner to finance leases.

Lease agreements which do not represent finance leases are classified as operating leases. Operating leases are included in advances to customers and other accounts but are treated as fixed assets in that they are depreciated over the shorter of the lease term and the estimated useful life of the asset. Income from operating leases is credited to the profit and loss account on a straight line basis over the period of the leases.

Income arising from the residual interest in instalment credit agreements, the principal of which has been disposed of, is credited to profit and loss account as it accrues. The expenses incurred in generating this income are deferred and amortised over the duration of the income flow and in proportion to it.

Tangible fixed assets

Freehold and long-leasehold premises are included in the accounts at original historical cost or subsequent valuation as set out in note 4.3.15. Leasehold premises with no long term premium value are not revalued.

Land is not depreciated. Freehold premises and leasehold premises with unexpired lease terms of more than 50 years are maintained in a good state of repair and it is considered that the residual values are such that any depreciation is not significant. Accordingly, no depreciation has been charged on these premises. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

The value of leasehold premises with unexpired lease terms of less than 50 years is amortised over periods appropriate to the relevant lease terms on a straight line basis.

Equipment, including fixed plant in buildings, computers and capitalised software development expenditure, is stated at cost and is depreciated on a straight line basis over its expected economic life, principally between 3 and 15 years.

4.3 Notes

4.3.1 Profit before charge for debts

The Group profit before charge for debts is arrived at after taking into account the following items:

| | 1990 £m | 1991 £m | 1992 £m |
|---|------------|------------|------------|
| Income | | | |
| Income from investments: | | | |
| Listed | 72.9 | 87.5 | 93.8 |
| Unlisted | 15.2 | 22.9 | 49.5 |
| Leasing and instalment credit income: | | | |
| Finance leases | 272.8 | 283.3 | 364.3 |
| Operating leases | 55.0 | 63.2 | 53.4 |
| Charges | | | |
| Interest on subordinated loan capital: | | | |
| Wholly repayable within 5 years | — | 22.3 | 25.7 |
| Other | 131.4 | 82.6 | 65.9 |
| Auditors' remuneration | 2.4 | 2.4 | 2.7 |
| Operating leases: | | | |
| Equipment rentals | 4.4 | 8.6 | 10.4 |
| Rental of premises | 73.2 | 75.8 | 96.1 |
| Depreciation of: | | | |
| Premises | 10.4 | 12.6 | 13.2 |
| Equipment | 27.9 | 36.3 | 50.5 |
| Directors' emoluments including pension contributions | 1.9 | 2.6 | 2.2 |
| Comprising: | | | |
| Fees | 0.3 | 0.3 | 0.3 |
| Performance related payments | 0.1 | 0.3 | 0.3 |
| Other emoluments | 1.4 | 1.5 | 1.5 |
| Past directors' pensions | 0.1 | 0.1 | 0.1 |
| Amounts payable to, or in respect of, a former director | — | 0.4 | — |

4.3.2 Turnover

| | 1990 £ billion | 1991 £ billion | 1992 £ billion |
|--|-------------------|-------------------|-------------------|
| The principal turnover of the Group is attributable to the business of banking and related activities and is therefore not shown. Other turnover, principally bullion sales, amounted to | 136.8 | 157.1 | 169.2 |

4.3.3 Segmental information

| By geographic segment | Profit before charge for debts £m | Credit/ (Charge) for debts £m | Trading profit £m | Total assets £m | Net assets £m |
|--------------------------|---|--|-------------------------|-----------------------|---------------------|
| 1990 | | | | | |
| Asia Pacific | | | | | |
| Hong Kong | 72.1 | (22.9) | 49.2 | 5,062.0 | 217.8 |
| Other countries | 98.7 | (29.4) | 69.3 | 5,201.1 | 229.4 |
| Americas | (4.9) | (6.4) | (11.3) | 1,038.8 | 50.7 |
| UK ⁽¹⁾ | 86.2 | (107.8) | (21.6) | 8,856.9 | 390.9 |
| Africa | 32.6 | (5.0) | 27.6 | 1,051.6 | 49.2 |
| Middle East & South Asia | 27.3 | (3.2) | 24.1 | 930.2 | 51.9 |
| Total Group | <u>312.0</u> | <u>(174.7)</u> | <u>137.3</u> | <u>22,140.6</u> | <u>989.9</u> |
| 1991 | | | | | |
| Asia Pacific | | | | | |
| Hong Kong | 92.8 | (4.9) | 87.9 | 5,126.3 | 207.8 |
| Other countries | 94.4 | (7.4) | 87.0 | 6,372.3 | 249.9 |
| Americas | 3.6 | (12.1) | (8.5) | 1,062.8 | 50.8 |
| UK ⁽¹⁾⁽²⁾ | 77.4 | (129.4) | (58.0) | 8,654.7 | 348.1 |
| Africa | 36.7 | (4.3) | 32.4 | 1,082.5 | 47.8 |
| Middle East & South Asia | 39.5 | (1.3) | 38.2 | 1,171.4 | 62.6 |
| Total Group | <u>344.4</u> | <u>(159.4)</u> | <u>179.0</u> | <u>23,470.0</u> | <u>967.0</u> |
| 1992 | | | | | |
| Asia Pacific | | | | | |
| Hong Kong | 177.4 | 54.1 | 231.5 | 8,684.8 | 226.7 |
| Other countries | 136.7 | 12.5 | 149.2 | 6,671.3 | 290.8 |
| Americas | 7.0 | (26.7) | (19.7) | 1,564.1 | 59.6 |
| UK ⁽¹⁾ | 55.5 | (122.1) | (66.6) | 8,890.2 | 286.0 |
| Africa | 46.5 | (7.7) | 38.8 | 1,333.1 | 50.8 |
| Middle East & South Asia | 8.6 | (276.3) | (267.7) | 2,285.0 | 90.3 |
| Total Group | <u>431.7</u> | <u>(366.2)</u> | <u>65.5</u> | <u>29,428.5</u> | <u>1,004.2</u> |

Notes

1. The UK segment includes the results of the Group's operations in Switzerland and the problem country debt unit.
2. The trading profit in the UK segment for the year ended 31st December, 1991 is stated after both the charge for bad and doubtful debts and £6.0 million written off fixed asset investments.

| By class of business | Profit before charge for debts £m | Credit/ (Charge) for debts £m | Trading profit £m | Total assets £m | Net assets £m |
|---------------------------|---|--|-------------------------|-----------------------|---------------------|
| 1990 | | | | | |
| Commercial banking | 322.3 | (153.2) | 169.1 | 18,945.8 | 869.8 |
| Other businesses | 34.5 | (21.5) | 13.0 | 2,325.0 | 120.1 |
| Problem country debt unit | (44.8) | — | (44.8) | 869.8 | — |
| Total Group | <u>312.0</u> | <u>(174.7)</u> | <u>137.3</u> | <u>22,140.6</u> | <u>989.9</u> |
| 1991 | | | | | |
| Commercial banking | 295.3 | (117.4) | 171.9 | 20,045.6 | 835.8 |
| Other businesses | 50.8 | (42.8) | 8.0 | 2,716.3 | 131.2 |
| Problem country debt unit | (1.7) | 0.8 | (0.9) | 708.1 | — |
| Total Group | <u>344.4</u> | <u>(159.4)</u> | <u>179.0</u> | <u>23,470.0</u> | <u>967.0</u> |
| 1992 | | | | | |
| Commercial banking | 351.5 | (333.1) | 18.4 | 25,252.9 | 878.6 |
| Other businesses | 82.4 | (33.1) | 49.3 | 3,271.6 | 125.6 |
| Problem country debt unit | (2.2) | — | (2.2) | 904.0 | — |
| Total Group | <u>431.7</u> | <u>(366.2)</u> | <u>65.5</u> | <u>29,428.5</u> | <u>1,004.2</u> |

The analysis of profits and assets by geographic segment is based on the location of the office in which the business is recorded. The trading profit for the commercial banking segment for the year ended 31st December, 1991 is stated after both the charge for bad and doubtful debts and £6.0 million written off fixed asset investments.

Other businesses includes bullion dealing, instalment finance, leasing, merchant banking, stockbroking, funds management, custodial and trustee services.

Group central expenses, the benefit of the Group's capital and central assets have been attributed across the segments, excluding problem country debt (included in the UK segment), in proportion to their risk weighted assets. Group capital (representing net assets employed) is used to support risk weighted assets and is, therefore, attributed to segments in the same proportion. The Group's portfolio of problem country debt, included in the UK segment, does not attract such attributions.

4.3.4 Transactions with directors, officers and others

The aggregate amounts outstanding at 31st December to be disclosed pursuant to the Companies Act 1985 in respect of loans were as follows:

| | 1990 | | 1991 | | 1992 | |
|-----------|--------|-------|--------|-------|--------|-------|
| | Number | £'000 | Number | £'000 | Number | £'000 |
| Directors | 5 | 8 | 5 | 8 | 3 | 5 |
| Officers | 4 | 116 | 12 | 154 | 16 | 97 |

These amounts include loans to directors and officers, made on normal commercial terms and in the ordinary course of business, as follows:

| | 1990 | 1991 | 1992 |
|--------------------|---------------|---------------|---------------|
| | £ | £ | £ |
| Loans to directors | <u>1,467</u> | <u>3,227</u> | <u>2,889</u> |
| Loans to officers | <u>12,660</u> | <u>71,810</u> | <u>33,528</u> |

There were no loans to connected parties during the three years.

4.3.5 Retirement benefits

The total charge for Group pension costs was as follows:

| | 1990 | 1991 | 1992 |
|------------------------------|------|------|------|
| | £m | £m | £m |
| Defined benefit schemes | 16.0 | 15.4 | 18.1 |
| Defined contribution schemes | 3.2 | 4.4 | 4.4 |
| Total Group charge | 19.2 | 19.8 | 22.5 |

The element of Group pension costs relating to the Standard Chartered Pension Fund (the "Fund") is assessed in accordance with the advice of a qualified actuary using the projected unit method. The most recent actuarial assessment of the Fund was as at 31st December, 1992. The assumptions which had the most significant effect on the results of the valuation were that the investment return would be 2.5 per cent. in excess of salary increases and 5.5 per cent. in excess of pension increases.

At 31st December, 1992, the market value of the assets of the Fund was £395.5 million and the actuarial value of the assets was sufficient to cover 101 per cent. of the benefits that had accrued to members.

The contributions and pension cost charge relating to the Fund and the charge/(credit) relating to other UK schemes were as follows:

| | 1990 | 1991 | 1992 |
|---|------|-------|-------|
| | £m | £m | £m |
| Contributions | 2.8 | 2.2 | 2.3 |
| Pension costs charge | 4.4 | 3.2 | 2.9 |
| Pension costs charge relating to other UK schemes | 1.5 | (0.7) | (0.1) |

The element of the Group pension cost relating to foreign schemes was as follows:

| | 1990 | 1991 | 1992 |
|------------------------------|------|------|------|
| | £m | £m | £m |
| Defined benefit schemes | 10.1 | 12.9 | 15.3 |
| Defined contribution schemes | 3.2 | 4.4 | 4.4 |
| Total Group charge | 13.3 | 17.3 | 19.7 |

The above charges have been determined in accordance with local practice and regulations. No provision has been made for post retirement benefits other than pensions as the cost of meeting such benefits is not expected to be material.

Provisions totalling £20.3 million, £19.7 million and £23.3 million as at 31st December, 1990, 1991 and 1992, respectively, are included in other provisions for liabilities and charges and represents the difference between the amount of payments made to the Fund and the accumulated regular charges for pension costs.

4.3.6 Taxation

| | 1990 | 1991 | 1992 |
|--|--------------|-------------|--------------|
| | £m | £m | £m |
| UK corporation tax | 30.5 | 48.7 | 67.2 |
| Relief for overseas tax | (4.6) | (39.6) | (67.0) |
| Advance corporation tax | 14.6 | 13.1 | 11.0 |
| | <u>40.5</u> | <u>22.2</u> | <u>11.2</u> |
| Overseas tax including deferred tax (1990: charge of £7.5m, 1991: credit of £0.2m, 1992: credit of £1.0m) | 71.3 | 66.9 | 108.4 |
| Share of associated undertakings' tax | 5.5 | 5.3 | 6.2 |
| | <u>117.3</u> | <u>94.4</u> | <u>125.8</u> |

The UK corporation tax charge is based upon the profits for the year at 35 per cent., 33.25 per cent. and 33 per cent. for the years ended 31st December, 1990, 1991 and 1992, respectively. It also includes deferred tax charges of £25.2 million, £6.1 million and £3.8 million for the years ended 31st December, 1990, 1991 and 1992 and is net of advance corporation tax used of £24.5 million and £30.3 million for the years ended 31st December, 1991 and 1992, respectively.

The tax charges for the years ended 31st December, 1990, 1991 and 1992 were high in relation to profits. This arose from a number of causes but, in the main, because of the inability of the Group to offset tax liabilities arising on profits in overseas countries against tax reliefs arising in the UK and elsewhere.

4.3.7 Dividends on ordinary shares

| | 1990 | | 1991 | | 1992 | |
|--------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | pence per share | £m | pence per share | £m | pence per share | £m |
| Interim paid | 12.5p | 29.2 | 7.0p | 16.4 | 7.0p | 16.5 |
| Final paid | 7.5p | 17.6 | 13.0p | 30.5 | 13.0p | 30.7 |
| | <u>20.0p</u> | <u>46.8</u> | <u>20.0p</u> | <u>46.9</u> | <u>20.0p</u> | <u>47.2</u> |

4.3.8 Earnings per share

| | 1990 | | 1991 | | 1992 | |
|--|-----------------------|------|-----------------------|------|-----------------------|------|
| | pence per share | £m | pence per share | £m | pence per share | £m |
| Net basis — profit on ordinary activities after taxation and minority interests | 12.3p | 28.7 | 24.7p | 57.8 | 27.0p | 63.5 |
| Nil distribution basis — profit on ordinary activities after taxation and minority interests but before charge for ACT | 18.5p | 43.3 | 30.3p | 70.9 | 31.7p | 74.5 |
| | 1990 million | | 1991 million | | 1992 million | |
| Weighted average number of shares in issue | 233.9 | | 234.1 | | 235.3 | |

4.3.9 Loans and advances to banks and customers

| | 1991 £m | 1992 £m |
|---|-----------------|-----------------|
| Loans to banks | 6,828.6 | 5,234.1 |
| Loans to customers | 12,319.7 | 16,287.9 |
| Receivables under instalment credit agreements | 954.6 | 907.4 |
| Equipment leased to customers (note 4.3.11) | 680.5 | 855.9 |
| Loans and advances to banks and customers | 20,783.4 | 23,285.3 |
| Less: provisions for bad and doubtful debts (note 4.3.10) | (1,126.1) | (1,515.1) |
| | <u>19,657.3</u> | <u>21,770.2</u> |

India

(a) During 1992 the Group identified deficiencies in its assets in India as a result of certain transactions in the securities markets which had been carried out in breach of the Group's procedures, frauds (which affected many financial institutions in India), and the failure of various counterparties to meet their contractual obligations. At 31st December, 1992, the assets in question amounted to £343 million (Rupees 16,060 million) and are included in the table above.

- (i) The Group is pursuing civil action against banks and financial institutions to recover amounts totalling £124 million (Rupees 5,810 million).
- (ii) The Group has filed a criminal complaint with the Indian Central Bureau of Investigation (the "CBI") for £265 million (Rupees 12,400 million), alleging that a number of individuals, including several brokers and two of the Group's employees, who have been dismissed, conspired together to defraud the Group. The CBI has arrested those named in the complaint and others. The offences alleged are within the jurisdiction of a Special Court which has powers to convict the accused and to distribute their assets to complainants.

As stated above, at 31st December, 1992 the assets subject to the criminal complaint concerned amounted to approximately £265 million (Rupees 12,400 million). They comprise £74 million which is also the subject of civil action (and which is, therefore, already included in the £124 million in paragraph (i)) and £191 million which is subject only to criminal action.

- (iii) The Group is pursuing the recovery of securities amounting to £28 million (Rupees 1,320 million) from two counterparties who do not dispute their obligation to deliver the securities concerned.

- (b) The Group has taken possession of securities valued at £34 million (Rupees 1,580 million) at 31st December, 1992 which it expects to be able to apply in part settlement of the amounts due.
- (c) Detailed investigations of the position are being conducted by the Group and by the Indian authorities, and a vigorous recovery programme is being pursued.
- (d) As at 3rd December, 1993, the Group was aware of claims against it amounting to £33 million (Rupees 1,551 million) which in most cases, if successful, would result in the Group itself having claims on other parties. The directors are confident that the Group has a strong defence to any material proceedings and would vigorously resist them.
- (e) Unravelling this whole matter will be very complicated and lengthy. At 31st December, 1992, the Group had made a specific provision of £62 million (Rupees 2,921 million) in respect of these assets, and because of the continuing uncertainty, established £210 million of its general provision for bad and doubtful debts as relating to India.

4.3.10 Provisions for bad and doubtful debts

Loans and advances to banks and customers are stated after deducting provisions for bad and doubtful debts as set out below:

| | Specific £m | 1991 General £m | Total £m | Specific £m | 1992 General £m | Total £m |
|---|----------------|-----------------------|-------------|----------------|-----------------------|-------------|
| Group (excluding problem country debt) | | | | | | |
| At 1st January | 450.1 | 124.2 | 574.3 | 558.0 | 94.9 | 652.9 |
| Exchange translation differences | 7.5 | 1.0 | 8.5 | 53.3 | 14.1 | 67.4 |
| Charge against profits | 238.2 | — | 238.2 | 254.3 | 210.7 | 465.0 |
| Recoveries/releases to profit | (38.3) | (39.7) | (78.0) | (80.5) | (18.3) | (98.8) |
| Provisions applied against debts | (110.8) | — | (110.8) | (154.5) | — | (154.5) |
| Recoveries of amounts previously written off | 7.5 | — | 7.5 | 41.8 | — | 41.8 |
| Reclassification of provisions | — | 8.4 | 8.4 | — | 18.3 | 18.3 |
| Other movements | 3.8 | 1.0 | 4.8 | — | — | — |
| At 31st December | 558.0 | 94.9 | 652.9 | 672.4 | 319.7 | 992.1 |
| Problem country debt | | | | | | |
| At 1st January | 512.0 | 16.2 | 528.2 | 462.2 | 11.0 | 473.2 |
| Exchange translation differences | 13.3 | 0.2 | 13.5 | 105.2 | — | 105.2 |
| Recoveries/releases to profit | (0.8) | — | (0.8) | — | — | — |
| Provisions applied against debts | (59.3) | — | (59.3) | (37.1) | — | (37.1) |
| Reclassification of provisions | — | (8.4) | (8.4) | — | (18.3) | (18.3) |
| Other movements | (3.0) | 3.0 | — | (7.3) | 7.3 | — |
| At 31st December | 462.2 | 11.0 | 473.2 | 523.0 | — | 523.0 |
| Total provision held at 31st December | 1,020.2 | 105.9 | 1,126.1 | 1,195.4 | 319.7 | 1,515.1 |

4.3.11 *Equipment leased to banks and customers*

Loans and advances to banks and customers (note 4.3.9) include equipment leased to banks and customers, as set out below:

| | 1991 £m | 1992 £m |
|---|---------------------|---------------------|
| Operating leases: | | |
| Cost of equipment | 188.7 | 205.1 |
| Accumulated depreciation | (75.6) | (93.3) |
| | <u>113.1</u> | <u>111.8</u> |
| Finance leases: | | |
| Net amount outstanding | <u>567.4</u> | <u>744.1</u> |
| Total equipment leased to banks and customers | <u><u>680.5</u></u> | <u><u>855.9</u></u> |

Loans and advances to banks and customers also include amounts receivable under instalment credit agreements of £907.4 million (1991: £954.6 million).

The cost of assets acquired during the year for leasing to banks and customers under finance leases and instalment credit agreements amounted to £1,228.6 million (1991: £1,006.9 million).

In 1990, a subsidiary undertaking, Chartered Trust plc, sold its interest in the principal of a portfolio of motor vehicle instalment credit agreements for the sum of £433 million. Under an option to offer further amounts for sale as part of the same transaction up until 30th June, 1993, further agreements were sold for £238 million in 1991 and £160 million in 1992. On 8th December, 1992, Chartered Trust entered into a similar transaction whereby another portfolio of instalment credit agreements was sold for the sum of £200 million. No profit or loss arose on these sales, and Chartered Trust retains an interest in the net revenues arising from these agreements which amounted to £7.4 million in 1990, £15.5 million in 1991, and £18.7 million in 1992. Loans and advances to banks and customers include £42.2 million (1991: £31.2 million) relating to the residual interest in the instalment credit agreements sold.

4.3.12 Debt securities and equity shares

| | 1991 | | 1992 | |
|---|----------------------|-----------------|----------------------|-----------------|
| | Book amount £m | Valuation £m | Book amount £m | Valuation £m |
| Securities of, or guaranteed by, national governments: | | | | |
| Listed in Great Britain | 165.2 | 163.9 | 159.3 | 160.2 |
| Listed overseas | 573.5 | 568.0 | 605.6 | 604.0 |
| Unlisted | 63.0 | 62.8 | 382.9 | 384.6 |
| | <u>801.7</u> | <u>794.7</u> | <u>1,147.8</u> | <u>1,148.8</u> |
| Other investments: | | | | |
| Listed in Great Britain | 66.5 | 63.4 | 57.6 | 56.5 |
| Listed overseas | 154.8 | 153.0 | 389.7 | 406.2 |
| Unlisted | 208.9 | 208.1 | 417.1 | 405.3 |
| | <u>1,231.9</u> | <u>1,219.2</u> | <u>2,012.2</u> | <u>2,016.8</u> |
| Certificates of deposit | 121.2 | 121.2 | 218.2 | 218.2 |
| Bills not available for rediscount at Central Banks | 187.9 | 187.9 | 50.7 | 50.7 |
| | <u>1,541.0</u> | <u>1,528.3</u> | <u>2,281.1</u> | <u>2,285.7</u> |
| Of these amounts, portfolio investments carried at adjusted cost, in accordance with the accounting policy stated in note 4.2 | <u>931.1</u> | <u>918.4</u> | <u>1,485.5</u> | <u>1,490.1</u> |

Valuations of listed investments are at market value and of unlisted investments at directors' estimate.

4.3.13 Interests in associated undertakings

| | 1991 | | 1992 | |
|--|----------------------|-----------------|----------------------|-----------------|
| | Book amount £m | Valuation £m | Book amount £m | Valuation £m |
| Listed overseas | 4.9 | 18.1 | 7.7 | 16.1 |
| Unlisted | 46.6 | 47.7 | 21.4 | 22.6 |
| | <u>51.5</u> | <u>65.8</u> | <u>29.1</u> | <u>38.7</u> |
| Dividends received from associated undertakings | | | | |
| Listed overseas | | | 0.2 | 0.2 |
| Unlisted | | | 7.3 | 9.9 |
| | | | <u>7.5</u> | <u>10.1</u> |

Included in loans and advances to banks and customers are loans made in the normal course of business to associated undertakings of £2.7 million (1991: £5.8 million) and trading balances with associated undertakings of £nil (1991: £6.5 million). Deposits by banks, customer accounts, and debt securities in issue include trading balances with associated undertakings of £3.6 million (1991: £18.6 million).

Valuations of listed investments are at market value and unlisted investments at directors' estimate. On 31st December, 1992, the Group sold its principal associated undertaking, Chartered WestLB Limited, a merchant bank registered in England and Wales. The Group had a 50 per cent. interest in Chartered WestLB Limited's issued share capital of 42.4 million ordinary shares of £1 each.

4.3.14 Other participating interests

| | 1991 | | 1992 | |
|-----------------|----------------------|-----------------|----------------------|-----------------|
| | Book amount £m | Valuation £m | Book amount £m | Valuation £m |
| Listed overseas | 4.8 | 8.8 | 2.1 | 4.1 |
| Unlisted | 17.6 | 22.9 | 22.1 | 24.9 |
| | <u>22.4</u> | <u>31.7</u> | <u>24.2</u> | <u>29.0</u> |

Valuations of listed investments are at market value and of unlisted investments at directors' estimate.

4.3.15 Tangible fixed assets

| | Premises £m | Equipment £m | Total £m |
|--|----------------|-----------------|--------------|
| Cost or valuation | | | |
| At 31st December, 1991 | 281.8 | 211.7 | 493.5 |
| Exchange translation differences | 46.4 | 30.8 | 77.2 |
| Additions | 22.5 | 78.8 | 101.3 |
| Disposals and fully depreciated assets written off | (110.8) | (56.6) | (167.4) |
| At 31st December 1992 | <u>239.9</u> | <u>264.7</u> | <u>504.6</u> |
| Depreciation | | | |
| Accumulated at 31st December, 1991 | 35.2 | 81.8 | 117.0 |
| Exchange translation differences | 5.8 | 11.4 | 17.2 |
| Charge for the year | 13.2 | 50.5 | 63.7 |
| Disposals and fully depreciated assets written off | (9.4) | (38.6) | (48.0) |
| Accumulated at 31st December, 1992 | <u>44.8</u> | <u>105.1</u> | <u>149.9</u> |
| Net book values at 31st December, 1992 | <u>195.1</u> | <u>159.6</u> | <u>354.7</u> |
| Net book values at 31st December, 1991 | <u>246.6</u> | <u>129.9</u> | <u>376.5</u> |

| | Premises £m |
|---|----------------|
| Premises: analysis of net book value | |
| Freehold | 72.0 |
| Leasehold over 50 years unexpired | 54.3 |
| Leasehold up to 50 years unexpired | 68.8 |
| | <u>195.1</u> |
| Premises: analysis of cost or valuation | |
| At cost | 99.9 |
| At valuation: | |
| 1987 | 4.0 |
| 1990 | 136.0 |
| | <u>239.9</u> |
| Cost or valuation of premises subject to depreciation | <u>135.4</u> |

The valuations were carried out on an open market existing use basis by the directors based upon the advice of independent professional valuers.

4.3.16 Other assets

| | 1991 | 1992 |
|---|----------------|----------------|
| | £m | £m |
| Mark to market adjustments on off balance sheet items (note 4.3.19) | —* | 2,163.2 |
| Other assets | 1,073.6 | 1,491.6 |
| | <u>1,073.6</u> | <u>3,654.8</u> |

* The information required to show mark to market adjustments relating to certain off balance sheet foreign exchange and interest rate contracts as separate assets and liabilities as at 31st December, 1991 is not available and to obtain this information would result in significant cost and delay.

4.3.17 Investments in subsidiary undertakings

| | Revaluation | | Loans | Total |
|--|----------------|---------------|------------------|----------------|
| | Cost | reserve | | |
| | £m | £m | £m | £m |
| Balance at 31st December, 1991 | 1,048.5 | (166.7) | 1,019.8 | 1,901.6 |
| Exchange translation differences | 1.4 | — | 161.8 | 163.2 |
| Addition | 90.0 | — | — | 90.0 |
| Disposals | (43.8) | (8.9) | — | (52.7) |
| Repayments | — | — | (13.5) | (13.5) |
| Share of increase in net assets of subsidiary undertakings | — | 81.1 | — | 81.1 |
| Balance at 31st December, 1992 | <u>1,096.1</u> | <u>(94.5)</u> | <u>(1,168.1)</u> | <u>2,169.7</u> |

4.3.18 Deposits by banks, customer accounts and debt securities in issue

| | 1991 | 1992 |
|--------------------------|-----------------|-----------------|
| | £m | £m |
| Deposits by banks | 4,690.0 | 4,056.8 |
| Customer accounts | 14,385.2 | 18,141.6 |
| Debt securities in issue | 430.5 | 490.7 |
| | <u>19,505.7</u> | <u>22,689.1</u> |

4.3.19 Other liabilities

| | 1991 | 1992 |
|---|----------------|----------------|
| | £m | £m |
| Mark to market adjustments on off balance sheet items (note 4.3.16) | —* | 2,102.2 |
| Notes in circulation | 433.7 | 645.4 |
| Current taxation (note 4.3.20) | 58.1 | 65.6 |
| Other liabilities | 878.7 | 1,050.8 |
| | <u>1,370.5</u> | <u>3,864.0</u> |

* The information required to show mark to market adjustments relating to certain off balance sheet foreign exchange and interest rate contracts as separate assets and liabilities as at 31st December, 1991 is not available and to obtain this information would result in significant cost and delay.

Included in other liabilities are proposed dividends totalling £30.5 million as at 31st December, 1991 and £30.7 million as at 31st December, 1992.

4.3.20 Taxation

| | Group | | Company | |
|---|-------------|-------------|---------------|-------------|
| | 1991 | 1992 | 1991 | 1992 |
| | £m | £m | £m | £m |
| Current taxation | 58.1 | 65.6 | (23.4) | 2.9 |
| Deferred taxation | | | | |
| Deferred taxation comprises: | | | | |
| Accelerated tax depreciation: | | | | |
| Equipment used in the business | 4.7 | 5.0 | — | — |
| Equipment leased to customers | 12.8 | (0.5) | — | — |
| Specific provisions for bad debts | (8.4) | (10.5) | — | — |
| Other timing differences | (7.4) | 8.9 | 13.4 | 23.7 |
| | <u>1.7</u> | <u>2.9</u> | <u>13.4</u> | <u>23.7</u> |
| Changes in deferred taxation balance during the year were as follows: | | | | |
| Balance at 1st January | (12.3) | 1.7 | 5.0 | 13.4 |
| Exchange translation differences | (1.3) | (3.6) | — | — |
| Charge to profit and loss account | 5.9 | 2.8 | 8.4 | 10.3 |
| Other movements | 9.4 | 2.0 | — | — |
| | <u>1.7</u> | <u>2.9</u> | <u>13.4</u> | <u>23.7</u> |
| No account has been taken of the following potential deferred taxation items: | | | | |
| Accelerated tax depreciation: | | | | |
| Equipment used in the business | (7.7) | (4.2) | — | — |
| Equipment leased to customers | 1.9 | 4.2 | — | — |
| Hedging transactions | 11.8 | — | — | — |
| Advance corporation tax written off | (68.1) | (30.7) | (61.1) | (30.7) |
| Tax losses carried forward | (91.2) | (88.8) | — | — |
| General provisions for bad debts | (99.0) | (175.7) | — | — |
| Other | (7.6) | (8.4) | — | — |

No taxation is provided on capital gains which might arise on the disposal of subsidiary or associated undertakings at their balance sheet amounts. Furthermore, no provision is made for taxation on capital gains which might arise on the disposal of premises at their balance sheet amounts. The directors are of the opinion that, in view of the substantial number of premises involved in numerous tax jurisdictions and the various reliefs or credits that would be available, the likelihood of any such material taxation liability arising is remote and no useful purpose would be served by attempting to quantify it.

4.3.21 Undated subordinated loan capital

| | 1991 | 1992 |
|--|--------------|----------------|
| | £m | £m |
| Undated Primary Capital Floating Rate Notes | | |
| US\$400 million | 213.8 | 263.6 |
| US\$300 million (Series 2) | 160.3 | 197.7 |
| US\$400 million (Series 3) | 213.8 | 263.6 |
| US\$200 million (Series 4) | 106.9 | 131.8 |
| £150 million | <u>150.0</u> | <u>150.0</u> |
| | <u>844.8</u> | <u>1,006.7</u> |

4.3.22 *Dated subordinated loan capital*

| | 1991 £m | 1992 £m |
|---|--------------|--------------|
| Company | | |
| £97.5m 12 $\frac{1}{4}$ % Subordinated Unsecured Loan Stock 2002/2007 | 97.5 | 97.5 |
| £63.9m (1991: £77.5m) Subordinated Floating Rate Notes 1996 | 77.5 | 63.9 |
| | <u>175.0</u> | <u>161.4</u> |
| Subsidiary undertakings | | |
| US\$175.6m 12% Guaranteed Bonds 1996 | 93.8 | 115.7 |
| SFr 241.3m (1991: SFr 257.1m) 4% Capital Bonds 1987-1997 | 101.3 | 108.8 |
| | <u>370.1</u> | <u>385.9</u> |

During 1992, the Group purchased and cancelled £13.6 million Subordinated Floating Rate Notes 1996, and SFr 15.8 million 4 per cent. Capital Bonds 1987-1997.

Warrants issued with the SFr 4 per cent. Capital Bonds lapsed on 7th January, 1992 without being exercised.

4.3.23 *Share capital*

| | 1991 £m | 1992 £m |
|---|--------------|--------------|
| Ordinary shares of £1 each | | |
| Authorised | <u>300.0</u> | <u>300.0</u> |
| Allotted, called up and fully paid: | | |
| At 1st January | 234.0 | 234.4 |
| Issued under employee share schemes | — | 0.2 |
| Shares issued in lieu of cash dividends | 0.4 | 1.9 |
| At 31st December | <u>234.4</u> | <u>236.5</u> |

1,191,933 ordinary shares were issued in lieu of the 1991 final dividend on 3rd June, 1992, and 782,703 ordinary shares were issued in lieu of the 1992 interim dividend on 28th October, 1992.

Up to 23,359,415 shares of £1 each, being part of the authorised share capital, may be issued under the employee share schemes.

Non-cumulative US dollar preference shares

At 31st December, 1992, the authorised share capital of the Company also comprised US\$60,000,000 divided into 12,000,000 non-cumulative preference shares of US\$5.00 each, all of which are unissued.

Profit Sharing Scheme

At 31st December, 1992, 426 employees were interested in 120,515 shares under the Group's Profit-sharing Scheme.

Executive Share Option Scheme

At 1st January, 1992, there were options outstanding over 5,849,219 shares under the Executive Share Option Scheme. During the year 550,653 options lapsed, 150,911 options were exercised at various prices from 401p to 482p and the following options were granted under that Scheme:

| Date option granted | Option price per share | No. of shares under option | Exercise period |
|----------------------|---------------------------|-------------------------------|--------------------|
| 21st April, 1992 | 467.5p | 387,300 | 1995-2002 |
| 11th September, 1992 | 380.5p | 585,500 | 1995-2002 |
| 15th September, 1992 | 414.5p | 19,000 | 1995-2002 |

At 31st December, 1992, there were options outstanding over 6,139,455 shares which may be exercised at various dates up to 2002 under the Rules of the Scheme.

Savings-related Share Option Scheme

At 1st January, 1992, there were options outstanding over 2,388,991 shares under the Savings-related Share Option Scheme. During the year 340,998 options lapsed, options were exercised over 19,414 shares at various prices from 284p to 440p, and the following options were granted under that Scheme:

| Date option granted | Option price per share | No. of shares under option | Exercise period |
|----------------------|---------------------------|-------------------------------|--------------------|
| 7th May, 1992 | 350p | 403,956 | 1997 |
| 16th September, 1992 | 312p | 346,110 | 1997-1998 |

At 31st December, 1992, there were options outstanding over 2,778,645 shares which may be exercised at various dates up to 1998 under the rules of the scheme.

4.3.24 Group reserves

| | Group £m | Associated undertakings £m |
|---|--------------|----------------------------------|
| Reserves at 31st December, 1991 | 732.6 | 12.2 |
| Exchange translation differences | 7.7 | 2.3 |
| Premium on shares issued | 0.5 | — |
| Shares issued in lieu of cash dividends | 6.4 | — |
| Capital reserve arising on acquisition | 4.8 | — |
| Retained profit | 16.3 | 4.4 |
| Other | (0.6) | (1.7) |
| Reserves at 31st December, 1992 | <u>767.7</u> | <u>17.2</u> |

Reserves of the Group at 31st December, 1992 include £351.3 million share premium and £68.2 million surplus on revaluation of premises.

The cumulative amount of premiums on acquisitions written off against Group reserves since 1973 is £74.6 million (1991: £73.1 million). This excludes amounts in respect of businesses sold.

Substantial parts of the Group's reserves are held overseas, principally to support local operations or to comply with local regulations. If overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

4.3.25 Company reserves

| | Share premium £m | Other reserves £m | Total £m |
|---|------------------------|-------------------------|--------------|
| Reserves at 31st December, 1991 | 352.7 | 379.9 | 732.6 |
| Premium on shares issued | 0.5 | — | 0.5 |
| Shares issued in lieu of cash dividends | (1.9) | 8.3 | 6.4 |
| Write back of goodwill on disposal of subsidiary undertakings | — | 38.3 | 38.3 |
| Increase in net assets of subsidiary undertakings | — | 81.1 | 81.1 |
| Loss for the year | — | (44.0) | (44.0) |
| Dividends paid and proposed | — | (47.2) | (47.2) |
| Reserves at 31st December, 1992 | <u>351.3</u> | <u>416.4</u> | <u>767.7</u> |

4.3.26 Contingent liabilities and other obligations

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 1991 £m | 1992 £m | 1991 £m | 1992 £m |
| Acceptances | 405.2 | 591.0 | — | — |
| Guarantees, confirmed credits and other engagements for which there are corresponding obligations by customers | 3,450.4 | 4,009.7 | — | — |
| Guarantees relating to loan capital obligations of subsidiary undertakings | — | — | 93.8 | 115.7 |
| Uncalled share capital issued by subsidiary undertakings | — | — | 60.0 | — |

In 1987, the Group entered into a foreign exchange agreement whereby it exchanged S.Fr291.0 million for US\$194.0 million and agreed to re-exchange these amounts in 1997.

In addition, in the normal course of business, the Group entered into interest rate and currency swaps, financial futures and forward contracts for the purchase and sale of foreign currencies and bullion.

On 24th August, 1993, Monsia Investments Pte. Limited ("Monsia") served proceedings against Standard Chartered Bank in Singapore claiming S\$237,940,000 (approximately £99.9 million) arising out of the realisation of certain assets which were pledged to the Group as security for loans made to Monsia. The Directors have been advised that the action is without merit and are not proposing to make provision in respect of the claim.

4.3.27 Operating lease commitments

The Group's annual commitments under operating leases were as follows:

| | 1991 | | 1992 | |
|-----------------------------|----------------|-----------------|----------------|-----------------|
| | Premises £m | Equipment £m | Premises £m | Equipment £m |
| Expiry of operating leases: | | | | |
| Within one year | 8.0 | 2.5 | 5.4 | 5.1 |
| Between one and five years | 23.4 | 2.6 | 27.6 | 3.1 |
| After five years | 32.0 | 0.6 | 53.4 | — |
| | <u>63.4</u> | <u>5.7</u> | <u>86.4</u> | <u>8.2</u> |

The majority of leases relating to premises are subject to rent reviews.

4.3.28 Secured liabilities

| | 1991 £m | 1992 £m |
|----------------------------------|--------------|--------------|
| Secured liabilities amounted to: | | |
| Notes in circulation | 433.7 | 645.4 |
| Other | 40.6 | 33.8 |
| | <u>474.3</u> | <u>679.2</u> |

4.3.29 Capital commitments

Capital expenditure approved by the directors but not provided for in these accounts amounted to:

| | 1991 £m | 1992 £m |
|----------------|-------------|------------|
| Contracted | 7.9 | 8.8 |
| Not contracted | <u>16.8</u> | <u>6.9</u> |

4.3.30 Consolidated cash flow statements

(a) Reconciliation between operating profits and net cash inflow/(outflow) from operating activities

| | 1990 £m | 1991 £m | 1992 £m |
|--|----------------|----------------|----------------|
| Trading profit, before taxation | 137.3 | 179.0 | 65.5 |
| Items not involving cash flow: | | | |
| Depreciation of premises and equipment | 38.3 | 48.9 | 63.7 |
| Charge for bad and doubtful debts | 174.7 | 159.4 | 366.2 |
| Debts written off, net of recoveries | (254.7) | (140.8) | (149.8) |
| Provision for indemnity claims | — | (36.1) | — |
| Decrease in accrued interest payable | (4.3) | (33.0) | (30.4) |
| Other items | 10.0 | 0.9 | 8.3 |
| Decrease/(increase) in accrued interest receivable | 1.3 | (43.8) | 27.7 |
| Adjustments for items shown separately: | | | |
| Interest paid on subordinated loan capital | 131.4 | 104.9 | 91.6 |
| Income from other participating interests | (1.1) | (0.5) | (0.6) |
| Net cash inflow from trading activities | <u>232.9</u> | <u>238.9</u> | <u>442.2</u> |
| Net decrease/(increase) in loans and advances to banks and customers | 1,425.2 | (1,789.3) | (685.6) |
| Net (decrease)/increase in deposits from banks, customer accounts and debt securities in issue | (37.6) | 1,444.6 | 319.5 |
| Net increase in debt securities and equity shares held | (224.7) | (148.6) | (564.5) |
| Net cash inflow/(outflow) from operating activities | <u>1,395.8</u> | <u>(254.4)</u> | <u>(488.4)</u> |

(b) Analysis of changes in cash and cash equivalents during the year

| | 1990 £m | 1991 £m | 1992 £m |
|----------------------------------|----------------|----------------|----------------|
| Balance at 1st January | 3,312.7 | 3,841.3 | 3,247.8 |
| Exchange translation differences | (402.3) | (13.9) | 440.6 |
| Net cash inflow/(outflow) | <u>930.9</u> | <u>(579.6)</u> | <u>(612.4)</u> |
| Balance at 31st December | <u>3,841.3</u> | <u>3,247.8</u> | <u>3,076.0</u> |

(c) Analysis of cash and cash equivalents

| | 1990 | 1991 | 1992 |
|---|----------------|----------------|----------------|
| | £m | £m | £m |
| Cash and unrestricted balances at central banks | 135.1 | 160.3 | 522.7 |
| Cheques in the course of collection | 62.8 | 46.0 | 47.0 |
| Demand loans and advances to banks and balances with central banks* | 3,198.6 | 2,573.4 | 1,849.3 |
| Treasury bills and other eligible bills | 176.5 | 159.0 | 388.1 |
| Certificates of deposit and other bills held for the short term | 268.3 | 309.1 | 268.9 |
| | <u>3,841.3</u> | <u>3,247.8</u> | <u>3,076.0</u> |

* These amounts represent short term loans to banks with maturity of less than three months and form part of loans to banks disclosed in Note 4.3.9.

(d) Analysis of changes in financing during the year

| | 1990 | | 1991 | | 1992 | |
|----------------------------------|--|-----------------|--|-----------------|--|-----------------|
| | Share capital (including share premium) £m | Loan capital £m | Share capital (including share premium) £m | Loan capital £m | Share capital (including share premium) £m | Loan capital £m |
| Balance at 1st January | 586.3 | 1,455.9 | 587.1 | 1,230.0 | 587.1 | 1,214.9 |
| Exchange translation differences | — | (154.7) | — | 20.8 | — | 198.3 |
| Ordinary share capital issued | 0.8 | — | — | — | 0.7 | — |
| Repayments of loan capital | — | (71.2) | — | (35.9) | — | (20.6) |
| Balance at 31st December | <u>587.1</u> | <u>1,230.0</u> | <u>587.1</u> | <u>1,214.9</u> | <u>587.8</u> | <u>1,392.6</u> |

(e) Cash flows arising from the acquisition and disposals of subsidiary undertakings

| | 1992 | |
|--|----------------|--------------|
| | Acquisition £m | Disposals £m |
| Net assets acquired/ (disposed of): | | |
| Cash and cash equivalents | 4.5 | (0.7) |
| Investments | 55.5 | (0.1) |
| Advances to customers and other accounts | 340.9 | (0.3) |
| Current, deposit and other accounts | (375.6) | 0.2 |
| | <u>25.3</u> | <u>(0.9)</u> |
| Discount on acquisition | (4.8) | — |
| Surplus over book value on disposals | — | (0.9) |
| | <u>20.5</u> | <u>(1.8)</u> |
| Satisfied by: | | |
| Cash paid/ (received) | 19.8 | (1.8) |
| Deferred consideration | 0.7 | — |
| | <u>20.5</u> | <u>(1.8)</u> |

The acquisition shown above is that of Standard Chartered Capital Markets Limited (formerly First Interstate Capital Markets Limited). Standard Chartered Capital Markets Limited did not have a material cash flow from its operating activities in the period following its acquisition to

31st December, 1992. The disposals shown above relate to the discretionary portfolio management business. Cash flows in this business prior to disposal were not material.

There were no significant acquisitions or disposals of subsidiary undertakings in 1990 or 1991.

(f) Analysis of the net (outflow)/inflow of cash and cash equivalents in respect of the acquisition and disposals of subsidiary undertakings

| | 1992 | |
|---|---------------|------------|
| | Acquisition | Disposals |
| | £m | £m |
| Cash consideration (paid)/received | (19.8) | 1.8 |
| Cash and cash equivalents acquired | 4.5 | — |
| Cash and cash equivalents disposed of | — | (0.7) |
| Net (outflow)/inflow of cash and cash equivalents | <u>(15.3)</u> | <u>1.1</u> |

Yours faithfully,

KPMG Peat Marwick

PART IV – THE PLACING

At the Extraordinary General Meeting of the Company held on 3rd December, 1993, a special resolution was passed, *inter alia*, to increase the authorised share capital of the Company by the creation of sterling preference shares and an ordinary resolution was passed, *inter alia*, to authorise the Directors to allot and issue all or any of such preference shares, subject to certain restrictions, at any time prior to the conclusion of the Annual General Meeting of the Company to be held in 1994. The terms of, and rights attaching to, the Preference Shares are contained in the Articles of Association of the Company and the resolution of a duly appointed committee of the Board on 8th December, 1993 and are set out in Part II above.

The Directors have decided to issue the Preference Shares by way of the Placing at the price of 100.008p per share and have determined, *inter alia*, that the rate of dividend attaching to them shall be 7½ per cent. per annum (exclusive of any associated tax credit) which will be payable in equal half-yearly instalments in arrears on 1st April and 1st October in each year, except that the first dividend instalment shall be payable in respect of the period from and including 22nd December, 1993 up to but excluding 1st April, 1994.

Under the Placing Agreement each of Schroders, Cazenove and Salomon Brothers have severally agreed to use reasonable endeavours to procure subscribers for or, to the extent of it failing to procure such subscribers, itself to subscribe for the Preference Shares for which it shall have failed to provide subscribers at the Placing Price. The Placing is conditional on the Preference Shares being admitted to the Official List by the London Stock Exchange, on such admission becoming effective not later than 9.00 a.m. on 10th December, 1993 and on the Placing Agreement becoming unconditional in accordance with its terms.

The Placing Agreement contains certain representations, warranties, undertakings and indemnities given by the Company relating, *inter alia*, to the accuracy of the information contained in this document. Schroders, Cazenove and Salomon Brothers may terminate the Placing Agreement in certain exceptional circumstances (including on the occurrence of a *force majeure* event) prior to the admission to listing becoming effective.

The Company has agreed to pay to Schroders, Cazenove and Salomon Brothers commissions amounting in aggregate to 7/8 per cent. of the aggregate Placing Price of the Preference Shares, being an amount equal to the number of the Preference Shares multiplied by the Placing Price. The Company will also pay to Schroders, Cazenove and Salomon Brothers a sum equal to any stamp or other duties or taxes (if any) payable in connection with the issue of the Preference Shares and any reasonable expenses incurred by them in connection with the Placing and any value added tax payable in connection with the commission payable in connection with or arising out of the Placing.

The Placing Price for the Preference Shares will be payable in cash in full on 22nd December, 1993. It is estimated that the cash proceeds (net of expenses) accruing to the Company from the placing will amount to approximately £98,928,000.

The Preference Shares will be in registered form. Temporary documents of title will not be issued and definitive certificates for the Preference Shares are expected to be despatched by not later than close of business on 22nd December, 1993.

PART V – FURTHER INFORMATION

1. Responsibility Statement

The Directors, whose names appear on pages 4 and 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation

The Company was incorporated in England and Wales on 18th November, 1969 as a company limited by shares with registered number 966425 and with the name Standard and Chartered Banking Group Limited. On 1st October, 1975 the Company changed its name to Standard Chartered Bank Limited. On 1st February, 1982 the Company re-registered as a public company under the Companies Acts 1948 to 1980 under the name Standard Chartered Bank Public Limited Company and on 1st January, 1985 changed its name to Standard Chartered PLC. The Company operates under the Companies Acts and its registered and head office and its principal place of business in the UK is at 1 Aldermanbury Square, London EC2V 7SB.

3. Memorandum and Articles of Association

Memorandum of Association

Clause 4 of the Memorandum of Association of the Company provides that the principal objects of the Company are to carry on in all parts of the world the business of banking in all its aspects and to transact and do all matters and things incidental thereto, or which may at any time hereafter, at any place where the Company carries on business, be usual in connection with the business of banking or dealing in money or securities for money.

Articles of Association

Set out below is a summary of certain provisions of the Articles of Association of the Company (the “Articles”).

(a) Dividends

Subject to applicable law, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members but no dividend shall exceed the amount recommended by the Board. The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. Dividends may be declared or paid in any currency. Any dividend payable by the Company may be paid by cheque or warrant sent by post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the register in respect of the shares at his address as appearing in the register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of the shares and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the

Company. In addition, any such dividend may be paid by any bank or other funds transfer system or such other means and to or through such person as the holder or joint holders may in writing direct and the Company shall have no responsibility for any sums lost or delayed in the course of any such transfer or where it has acted on any such directions.

(b) Unclaimed dividends

The Company may cease to send dividend payments on any shares if at least two consecutive dividends have been returned undelivered or remain uncashed. Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall be forfeited and shall revert to the Company.

(c) Scrip dividends

The Board may, if authorised by an ordinary resolution of the Company, offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

(d) Transfer

Any member may transfer all or any of his shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The transferor shall be deemed to remain the holder of each relevant share until the name of the transferee is entered in the register in respect of it. The Board may decline to register any transfer unless:

- (i) the instrument of transfer is lodged with the Company accompanied by the certificate (if any) for the shares to which it relates and/or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of share; and
- (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

The Articles contain no other restriction on the transferability of shares which are fully paid.

(e) Untraced shareholders

If on two consecutive occasions notices have been sent through the post to any member at his registered address or his address for the service of notices but have been returned undelivered, such member shall not thereafter be entitled to receive notices from the Company until he shall have communicated with the Company and supplied in writing to the registered office of the Company a new registered address or address within the United Kingdom for the service of notices. In addition, the Company may sell the shares of any untraced shareholder on behalf of such holder where such shares have been held for a period of twelve years and during that time no dividend has been claimed and there has been no communication with the Company.

(f) Voting and meetings of shareholders

Subject to any special terms as to voting upon which any shares may be issued or may for the time be held, on a show of hands every member who being an individual is present in person at a general meeting of the Company shall have one vote, and on a poll every member who is present in person or by proxy or (being a corporation) is present by a duly authorised representative shall have one vote for every £1 nominal

amount of share capital of which he is the holder. No member shall, unless the Board otherwise decides, be entitled to vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

An Annual General Meeting and an Extraordinary General Meeting called for the passing of a special resolution or a resolution appointing a person as a Director shall be called by not less than twenty-one clear days' notice in writing. All other Extraordinary General Meetings shall be called by not less than fourteen clear days' notice in writing. Any member whose registered address is not within the UK and who gives to the Company an address within the UK at which notices may be served upon him shall be entitled to have notices served upon him at that address but, unless he does so, shall not be entitled to receive any notice from the Company.

All general meetings, other than Annual General Meetings, are called Extraordinary General Meetings.

A shareholder may be represented at a general meeting by a proxy who need not be a member of the Company and who may, on a poll, vote on behalf of the shareholder. The Chairman of the Board presides as chairman at any general meeting at which he is present. No business can be transacted at any general meeting unless a quorum is present. The quorum necessary is five members present in person or by proxy and entitled to vote.

Resolutions put to the vote of the meeting are decided on a show of hands unless a poll is demanded either by the chairman of the meeting, or by at least three members, present in person or by proxy or by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or by a member or members present in person or by proxy holding shares in the Company conferring the right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless otherwise required by law or by the Articles, voting in general meetings is by ordinary resolution (requiring the affirmative vote of a simple majority of the votes cast). A special resolution (requiring an affirmative vote of at least 75 per cent. of the vote cast) is necessary for certain matters, such as any alteration to the Articles, a change of the Company's name or a disapplication of shareholders' pre-emption rights under section 89 of the Companies Act 1985.

(g) Directors

Unless otherwise determined by ordinary resolution of the Company, there shall be not less than five nor more than thirty Directors. Unless otherwise determined by the Company in general meeting, the qualification of a Director shall be the holding alone and not jointly with any other person of £500 nominal amount of share capital of the Company. Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board, provided that the aggregate of all fees so paid to Directors (excluding amounts payable under any other provision of the Articles) shall not exceed £500,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company.

Any Director who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may decide. Each of the Directors shall also be paid all costs and expenses properly and reasonably incurred by him in the discharge of his duties as a Director. The Board or a

committee thereof may exercise all the powers of the Company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner, for any Director or former Director (or their relations and dependents), provided that no benefits may be granted to or in respect of a Director or former Director who has not been employed by or held executive office under the Company or any of its subsidiaries without the approval of an ordinary resolution of the Company.

Subject to applicable law, the Company may purchase and maintain for any Director or other officer or auditor insurance against any liability. Subject to those provisions, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company and the auditors shall be indemnified out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company, or as auditor, in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or he is acquitted or in connection with any application under statute in which relief is granted to him by the court.

The Board or any committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office with the Company (including that of a managing director) for such period (subject to the provisions of applicable law) and upon such other terms as the Board or any committee authorised by the Board may in its discretion decide. A Director so appointed shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may decide, either in addition to or in lieu of his remuneration as a Director. A Director so appointed shall not, whilst holding that office, be subject to retirement by rotation or be taken into account in deciding the number of Directors to retire by rotation on any particular occasion.

The Directors may be appointed to office:

- (i) by ordinary resolution at a general meeting of the Company; or
- (ii) by resolution of the Board to fill a vacancy or by way of addition to the Board; any Director so appointed shall hold office only until the next following annual general meeting whereupon the Director shall be eligible for re-election.

At every Annual General Meeting one-third of the non-executive Directors for the time being (any fractions which result from this calculation being disregarded) shall retire from office and shall be eligible for re-election. There are no provisions relating to the retirement of Directors upon reaching any age limit (save that in determining which Directors are to retire by rotation, the first on each occasion shall be any Director who by reason of age is due to retire at that meeting pursuant to applicable law).

A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period (subject to applicable law) and upon such other terms as the Board may determine.

No Director shall be disqualified by his office from contracting with the Company. No contract in which any Director is in any way interested shall be liable to be avoided nor shall any Director who is so interested be liable to account to the Company or the members for any remuneration, profit or other benefit realised by the contract by reason of such Director holding that office or of the fiduciary relationship thereby established.

A Director must declare the nature of any interest in any contract with the Company to the Board. A Director shall not vote (nor be counted in the quorum) in relation to any resolution of the Board concerning his own appointment, or the settlement or

variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested. A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract in which he is to his knowledge materially interested but this prohibition shall not apply to any resolution where that material interest arises only from one or more of the following matters:

- (i) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
- (ii) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) the subscription or purchase by him of shares, debentures or other securities of the Company pursuant to an offer or invitation to members or debenture holders of the Company or to the public;
- (iv) the underwriting by him of any shares, debentures or other securities of the Company or any of its subsidiaries;
- (v) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (vi) any contract concerning any other company (not being a company in which the Director owns one per cent. or more of any class of equity share capital) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise;
- (vii) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to directors and employees of the Company or any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
- (viii) any contract for the benefit of employees of the Company or any of its subsidiaries under which he benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates; and
- (ix) any contract for the purchase or maintenance for any Director of insurance against any liability.

Where a company in which a Director owns one per cent. or more of the equity share capital is materially interested in a contract, he also shall be deemed materially interested in that contract. Subject to applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised in the preceding paragraph or ratify any contract not properly authorised by reason of a contravention of such provision.

The quorum necessary for the transaction of the business of the Board shall be from time to time determined by the Board but until otherwise determined it shall be five.

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be decided by a majority of votes and in the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

(h) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Acts, to issue debentures and other securities whether outright or as collateral for any debt, liability or obligation of the Company or of any third party.

(i) Variation of rights

Subject to applicable law and to any rights conferred on the holders of any class of shares, all or any of the rights for the time being attached to any class of shares in issue may from time to time be varied with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares.

(j) Alteration of share capital

The Company may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (iii) subject to applicable law, sub-divide its shares or any of them into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others; and
- (iv) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Subject to applicable law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way. Subject to applicable law and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares. Purchases shall be authorised by such resolution of the Company as may be required by applicable law and by an extraordinary resolution passed at a separate general meeting of the holders of any class of shares which, at the date on which the purchases or contract therefor are authorised by the Company in general meeting, entitle them, either immediately or at any time later on, to convert all or any of the shares of that class into equity share capital of the Company.

(k) Suspension of rights

Where the holder of any shares in the Company, or any other person appearing to be interested in those shares, fails to comply within the relevant period with any notice served by the Company under section 212 of the Companies Act 1985 requiring particulars of interests in shares or of the identity of persons interested in shares, the Company may give the holder of those shares a notice to the effect that those shares will be subject to some or all of the relevant restrictions. "Relevant restrictions" means, in the case of a notice served on a person interested in at least 0.25 per cent. of any class of shares in the Company, that:

- (i) the shares shall not confer on the holder any right to attend or vote at any general meeting of the Company or at any separate class meeting;

- (ii) the Board may withhold payment of all or any part of any dividends or other moneys payable in respect of the shares; and
 - (iii) the Board may decline to register a transfer of the shares or any of them unless such a transfer is shown to the Board to be pursuant to an arm's length sale;
- and, in any other case, means only the restriction specified in paragraph (i) above.

(l) New issues and pre-emption

Subject to applicable law, the unissued shares of the Company shall be at the disposal of the Board which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms as the Board may decide. Under section 80 of the Companies Act 1985, the Directors may not allot any of the unissued shares of the Company (including rights to subscribe for or to convert any security into shares of the Company) unless they are authorised to do so by the shareholders of the Company. Any such authority cannot exceed a period of five years. Section 89 of the Companies Act 1985 provides that, unless disapplied, the Directors can only allot unissued equity securities for cash pursuant to an authority under section 80 on a pre-emptive basis to the Company's ordinary shareholders in proportion to their existing holdings. It is normal practice for a public company, listed on the London Stock Exchange, to disapply, to a limited extent, the provisions of section 89 by a special resolution passed at each Annual General Meeting of the Company. The current section 80 authority and the current disapplication of the section 89 pre-emption rights by the Company's shareholders are referred to in Section 4, paragraph (d) below.

(m) Non-cumulative preference shares

The authorised share capital of the Company includes 12,000,000 non-cumulative preference shares of US\$5.00 each (the "dollar preference shares") and 300,000,000 non-cumulative preference shares of £1 each (the "sterling preference shares"). In this paragraph (m) the dollar preference shares and the sterling preference shares are together referred to as the preference shares. The provisions contained in the Articles relating to such shares are summarised below:

(i) *Priority*

The preference shares are to rank as regards repayment of capital and as regards income in priority to the Ordinary Shares. The ranking of different series of preference shares is to be determined at the time of their issue.

(ii) *Dividend*

The preference shares are to carry the right to a non-cumulative preferential dividend at a rate (whether fixed or variable) to be determined by the Directors before allotment.

All or any of the following provisions may apply in relation to any particular preference shares ("relevant preference shares") if the terms of issue of those shares as determined by the Directors so provide:

- (a) in the event that the distributable profits of the Company are, in the opinion of the Directors, insufficient to pay in full a dividend due on the relevant preference shares on a particular date (the "relevant date"), then the Directors may determine (such determination to be made prior to the allotment of the relevant preference shares) either that (i) none of such dividend shall be payable, or that (ii) such profits as are available (after providing for any prior ranking dividends payable on or before the relevant

date and any special dividend referred to in paragraph (f) below) shall be distributed *pro rata* among holders of the relevant preference shares and any other shares which rank *pari passu* with the relevant preference shares and on which a dividend is payable on the relevant date or arrears of cumulative dividend are unpaid at the relevant date;

- (b) no dividend will be payable on the relevant preference shares if, in the opinion of the Directors, the payment of the dividend would breach, or cause a breach of, the Bank of England's capital adequacy requirements applicable to the Company and/or any of its subsidiaries;
- (c) in the event that no dividend is payable for the reasons specified in paragraphs (a)(i) or (b) above, the Company may, if sufficient reserves are available for the purpose, allot to holders of the relevant preference shares further preference shares of a nominal amount related to the cash amount of the dividend which has not been paid on a basis which is to be determined by the Directors before allotment of the relevant preference shares (and which will, in practice, take account of the absence of the tax credit which would normally attach to the dividend). If there is insufficient unissued preference share capital available, or insufficient authority under section 80 of the Companies Act 1985, to enable further preference shares to be allotted, the Directors will be obliged to convene an Extraordinary General Meeting of the Company to which will be put a resolution or resolutions to create further preference shares and to give the Directors appropriate authority to allot those shares. Any further preference shares so allotted will carry the same rights as the existing preference shares in respect of which they are allotted;
- (d) if a dividend on the relevant preference shares is not paid in full (or a sum is not set aside for such payment), the Company may not (without the consent of the holders of relevant preference shares) redeem, reduce, purchase or otherwise acquire any other share capital of the Company ranking *pari passu* with or after the relevant preference shares until such time as dividends on the relevant preference shares have been paid (or provided for) in full in respect of such period as shall be determined by the Directors prior to allotment of the relevant preference shares;
- (e) if a dividend on the relevant preference shares is not paid in full (or a sum is not set aside for such payment), then subject to paragraph (f) below, the Company in general meeting may not declare, and the Directors may not pay or provide for, a dividend on the ordinary shares or on any shares ranking after the relevant preference shares until such time as dividends on the relevant preference shares have been paid (or provided for) in respect of such period as shall be determined by the Directors prior to allotment of the relevant preference shares; and
- (f) the Company will be empowered in any event to pay a special dividend of a nominal amount on any shares if it is necessary to do so to preserve the status of the Company's shares as wider-range investments under the Trustee Investments Act 1961.

The extent of any obligation on the Directors to resolve to distribute the whole or any part of the Company's available profits by way of dividend on any series of preference shares will depend on the terms of their issue, as determined by the Directors prior to allotment.

(iii) *Capital*

The preference shares are to carry the right on a winding up of the Company or other return of capital (but not, unless otherwise provided by their terms of issue, on a redemption, reduction or purchase by the Company of any of its share capital) in priority to any payment to the holders of Ordinary Shares to the repayment of the nominal capital paid up on the preference shares together with any premium determined by the Directors before allotment (together the "liquidation entitlement"), and to an amount equal to the dividend for the then current dividend period accrued to the date of commencement of the winding up.

(iv) *Redemption*

Subject to any discretion allowed to the Directors under the Companies Acts at the time of allotment of any preference shares and referred to below, unless the Directors shall before allotment of any particular preference shares determine that such shares shall not be redeemable, preference shares allotted will be redeemable at the option of the Company on any date falling on or after the day following the fifth anniversary of the date of allotment (or such later date as the Directors may determine prior to allotment).

On redemption there will be paid on each redeemable preference share the aggregate of the capital paid up on such share, an amount equal to the dividend for the then current dividend period accrued to the date of redemption and, in the case of dollar preference shares and depending on the timing of redemption, a redemption premium. Subject to the Directors' discretion referred to below, the redemption premium payable in respect of dollar preference shares will be either (i) in the case of dollar preference shares carrying dividends calculated at a variable rate, an amount per share equal to 3 per cent. of the liquidation entitlement if redemption takes place prior to the tenth anniversary of the date of allotment and, thereafter, nil, or (ii) in the case of dollar preference shares carrying dividends calculated at a fixed rate, a specified percentage of the annual amount of cash dividend payable on such dollar preference shares in the year immediately following allotment, which percentage will decline in five equal annual steps of 13.33 per cent. from 66.66 per cent. of such amount in the year following the fifth anniversary of allotment to nil following the tenth anniversary of allotment.

If permitted by the Companies Acts at the time of allotment of any preference shares, the Directors may, prior to such allotment, fix the date on or by which, or dates between which, such shares may be redeemed and the amount payable on redemption or the manner of determination of such amount (provided that such amount shall not be determined by reference to the Directors' or any other person's discretion or opinion) and such date or dates and amounts fixed by the Directors may be different from, or in addition to, any date or amount referred to above.

(v) *Voting*

Preference shares will only carry a right to vote at general meetings of the Company: (1) if the dividend on the preference shares most recently payable before any such meetings has not been paid in full; (2) if a resolution is to be put to the meeting varying or abrogating the rights attached to the preference shares and then only on the relevant resolution; or (3) in relation to any particular preference shares, in such other circumstances (if any) as the Directors may determine prior to allotment of those shares. Holders of any particular preference

shares may, if determined by the Directors prior to the allotment of such shares, be entitled to convene an Extraordinary General Meeting of the Company in such circumstances and on such terms as may be determined by the Directors prior to allotment. Where a holder of preference shares is entitled to vote, he is to have one vote on a show of hands and, on a poll, such number of votes as the Directors may determine prior to allotment of such shares.

(vi) *Further issues*

The Company may issue further series of preference share capital ranking as regards participation in the profits and assets of the Company after or *pari passu* with any preference shares in issue. Such creation shall be deemed not to vary or affect in any way any of the rights attaching to the preference shares or the Ordinary Shares and shall not require the sanction or consent of the holders of preference shares.

(vii) *Variation of rights*

The rights attached to any series of preference shares are to be capable of being varied or abrogated with the written consent of holders of three-quarters in nominal value of such shares or with the sanction of an extraordinary resolution passed at a class meeting of holders of such shares.

(viii) *Bearer shares*

Dollar preference shares may, subject to the Companies Acts, be issued in bearer form.

4. Share Capital

- (a) The authorised and issued share capital of the Company as at the Latest Practicable Date was:

| | Authorised | Issued |
|-----------------------------|----------------|--------------|
| Ordinary Shares | £300,000,000 | £239,656,881 |
| Sterling Preference Shares | £300,000,000 | — |
| | £600,000,000 | £239,656,881 |
| US Dollar Preference Shares | US\$60,000,000 | — |

- (b) In 1991 the following shares were issued:

- (i) 365,414 Ordinary Shares were issued in lieu of the 1991 interim dividend; and
- (ii) 6,799 Ordinary Shares were issued under the Standard Chartered Group Savings-related Share Option Scheme at various prices ranging from 284p to 360p per Ordinary Share.

In 1992 the following shares were issued:

- (i) 1,191,933 Ordinary Shares were issued in lieu of the 1991 final dividend;
- (ii) 782,703 Ordinary Shares were issued in lieu of the 1992 interim dividend;
- (iii) 19,414 Ordinary Shares were issued under the Standard Chartered Group Savings-related Share Option Scheme at various prices ranging from 284p to 440p per Ordinary Share; and

- (iv) 150,911 Ordinary Shares were issued under the Standard Chartered Group Executive Share Option Scheme at various prices ranging from 401p to 482p per Ordinary Share.

During the period commencing 1st January, 1993 and ending on the Latest Practicable Date, the following shares were issued:

- (i) 142,726 Ordinary Shares were issued in lieu of the 1992 final dividend;
 - (ii) 63,978 Ordinary Shares were issued in lieu of the 1993 interim dividend;
 - (iii) 215,533 Ordinary Shares were issued under the Standard Chartered Group Savings-related Share Option Scheme at various prices ranging from 284p to 478p per Ordinary Share; and
 - (iv) 2,575,907 Ordinary Shares were issued under the Standard Chartered Group Executive Share Option Scheme at various prices ranging from 359.5p to 656p per Ordinary Share.
- (c) At an Extraordinary General Meeting of the Company held on 3rd December, 1993, the authorised share capital of the Company was increased from £300,000,000 and US\$60,000,000 to £600,000,000 and US\$60,000,000 by the creation of 300,000,000 sterling preference shares of £1 each.
- (d) The Directors are authorised pursuant to section 80 of the Companies Act 1985 to allot all the unissued ordinary and preference shares of the Company (including the sterling preference shares of the Company up to an aggregate nominal amount of £300 million) provided that the Directors may not allot any preference shares if immediately following such allotment the aggregate nominal value of all preference shares in issue, together with any associated share premium, will exceed 25 per cent. of the Company's issued share capital and reserves, as shown in the most recent published audited accounts and as increased by any subsequent allotment of shares. The Directors are also authorised pursuant to section 89 of the Companies Act 1985 to allot unissued Ordinary Shares and any preference shares which constitute equity securities (within the meaning of section 94 of the Companies Act 1985) for cash, free of the pre-emption provisions of the Companies Act 1985, up to an aggregate nominal value equal to 5 per cent. of the issued share capital of the Company as at the date of its Annual General Meeting in 1993. The Preference Shares will not constitute equity securities for this purpose and the pre-emption provisions contained in the Companies Act 1985 will not therefore apply to them. The authority of the Directors to allot Ordinary Shares extends to shares allotted pursuant to the Standard Chartered Group Profit-sharing Scheme, the Standard Chartered Group Savings-related Share Option Scheme, the Standard Chartered Group Executive Share Option Scheme, scrip dividend elections and allotments in connection with any rights issue. Under the Standard Chartered Group Profit-sharing Scheme, Ordinary Shares may be allotted and under the Standard Chartered Group Savings-related Share Option Scheme and the Standard Chartered Group Executive Share Option Scheme options may be granted to certain employees of Standard Chartered entitling them to subscribe for Ordinary Shares up to a maximum of 23,359,415 Ordinary Shares in total. The authority of the Directors to allot unissued shares in the Company will expire at the conclusion of the Annual General Meeting of the Company to be held in 1994.

- (e) As at the Latest Practicable Date there were options outstanding to subscribe for 5,268,615 Ordinary Shares under the Standard Chartered Group Executive Share Option Scheme as follows:

| No. of options | Date option granted | Exercise price |
|----------------|----------------------|----------------|
| 16,394 | 9th September, 1986 | 656p |
| 38,291 | 14th October, 1986 | 638p |
| 38,228 | 26th April, 1988 | 401p |
| 32,827 | 3rd October, 1988 | 456p |
| 81,200 | 24th August, 1989 | 552p |
| 84,000 | 1st September, 1989 | 558p |
| 131,000 | 30th April, 1990 | 482p |
| 314,578 | 17th August, 1990 | 413p |
| 1,506,500 | 12th September, 1991 | 359.5p |
| 367,300 | 21st April, 1992 | 467.5p |
| 575,000 | 11th September, 1992 | 380.5p |
| 19,000 | 15th September, 1992 | 414.5p |
| 627,300 | 7th April, 1993 | 701.5p |
| 200,000 | 19th May, 1993 | 730.5p |
| 1,211,097 | 22nd October, 1993 | 1014.5p |
| 25,000 | 24th November, 1993 | 1013.5p |

- (f) As at the Latest Practicable Date there were options outstanding to subscribe for 2,705,386 Ordinary Shares under the Standard Chartered Group Savings-related Share Option Scheme as follows:

| No. of options | Date option granted | Exercise price |
|----------------|----------------------|----------------|
| 22,100 | 12th May, 1988 | 360p |
| 25,031 | 20th October, 1988 | 440p |
| 18,147 | 3rd May, 1989 | 478p |
| 96,024 | 20th October, 1989 | 429p |
| 35,096 | 3rd May, 1990 | 439p |
| 886,043 | 12th October, 1990 | 284p |
| 157,185 | 9th May, 1991 | 317p |
| 467,322 | 10th October, 1991 | 288p |
| 285,235 | 7th May, 1992 | 350p |
| 313,126 | 16th September, 1992 | 312p |
| 197,759 | 8th April, 1993 | 562p |
| 171,035 | 14th November, 1993 | 804p |

5. Loan Capital

The following table sets out the consolidated loan capital of the Group, all of which is subordinated, as at the Latest Practicable Date. Save as set out below, and excluding intra-group indebtedness, neither the Group nor any of its subsidiaries had any loan capital outstanding at the Latest Practicable Date.

| | £m |
|--|----------------|
| Dated subordinated loan capital: | |
| £97.5 million 12 $\frac{7}{8}$ per cent. subordinated loan stock 2002/2007 | 97.5 |
| £63.9 million subordinated floating rate notes 1996 | 63.9 |
| US\$175.6 million 12 per cent. guaranteed bonds 1996 | 118.6 |
| Swiss Francs 236 million 4 per cent. capital bonds 1987-1997 | 106.3 |
| Undated subordinated loan capital: | |
| US\$400 million | 270.1 |
| US\$300 million (Series 2) | 202.6 |
| US\$400 million (Series 3) | 270.1 |
| US\$200 million (Series 4) | 135.0 |
| £150 million | 150.0 |
| | <u>1,414.1</u> |

6. Taxation

(a) Dividends

Under current United Kingdom taxation legislation, no withholding tax will be deducted from dividends paid by the Company but the Company is required to account for advance corporation tax ("ACT") when a dividend is paid. The current rate of ACT is 9/31 of the cash dividend paid (to be reduced to 1/4 for dividends paid on or after 6th April, 1994). An individual preference shareholder who is resident (for tax purposes) in the United Kingdom is entitled, in respect of any cash dividend received, to a tax credit which, at current rates, is equal to 1/4 of the dividend paid. The individual will be liable to United Kingdom income tax (if at all) on the total of the dividend and the related tax credit at either the lower rate of income tax (currently 20 per cent.) or the higher rate (currently 40 per cent.) depending upon the individual shareholder's circumstances. The tax credit will satisfy in full the individual shareholder's liability to lower rate income tax on the dividend plus the tax credit. To the extent that the shareholder is liable to higher rate income tax, the tax payable on the dividend plus the tax credit will be at a rate equal to the excess of the higher rate over the lower rate (i.e. 20 per cent.). If the tax credit exceeds the individual's liability to income tax on the total of the dividend and the tax credit, the tax credit may be reclaimed, in whole or in part, from the Inland Revenue.

A corporate preference shareholder who is resident (for tax purposes) in the United Kingdom and receives a dividend paid by the Company will be entitled to a tax credit in respect of that dividend. The shareholder will not be liable to United Kingdom corporation tax on any dividend received from the Company and the dividend and associated tax credit will generally represent franked investment income in the hands of such a shareholder. The value of the tax credit will be an amount equal to 1/4 of the dividend, except where the dividend to be paid on 1st April, 1994 is used by the shareholder for the purpose of setting off franked investment income against franked payments, in which case the value of the tax credit will, for that purpose, be an amount equal to 9/31 of the dividend.

Subject to certain exceptions for Commonwealth citizens, citizens of the Republic of Ireland and certain other classes of person, the right of a preference shareholder who is not resident (for tax purposes) in the United Kingdom to a tax credit in respect of a dividend received from the Company and to reclaim from the Inland Revenue any proportion of the tax credit relating to the dividend will depend, in general, upon the provisions of any double taxation agreement or convention which exists between the United Kingdom and the country in which the shareholder is resident. Any shareholder who is not resident in the United Kingdom should consult his own tax adviser concerning his tax liability on dividends received and on the question of the double taxation provisions (if any) applying between his country of residence and the United Kingdom.

It was proposed in the Chancellor's Budget speech on 30th November, 1993 that a new regime would be introduced under which a United Kingdom resident company could opt to designate dividends that it paid as "foreign income dividends". In broad terms, the new regime will enable companies to obtain repayments of surplus ACT in respect of a foreign income dividend if it is established that the foreign income dividend had been paid out of foreign source profits. In calculating any further tax due from an individual shareholder who receives a foreign income dividend the shareholder will be treated as receiving income which has borne income tax at the lower rate of 20 per cent. There will be no further tax to pay by a shareholder who is liable to income tax on dividends at the lower rate, but a foreign income dividend will not carry any tax credit, and consequently there will be no repayment of tax to a shareholder who is not liable to income tax. Under the proposed regime, a corporate shareholder will not be liable to United Kingdom corporation tax on any foreign income dividend. If a company which receives foreign income dividends during an accounting period also pays foreign income dividends during that period, it will have to pay ACT in respect of the foreign income dividends it pays only to the extent that they exceed the foreign income dividends received. If there is a surplus of foreign income dividends received over foreign income dividends paid, the surplus can be carried forward to the next period in which it can be used. It will not be possible for foreign income dividends received to frank the liability to pay ACT on an ordinary dividend, nor will it be possible for an ordinary dividend to frank the liability to pay ACT on a foreign income dividend. Under the terms of the Preference Shares the Company will not be entitled to designate all or any part of a dividend payable on the Preference Shares as a foreign income dividend without either the written consent of the holders of three-quarters in nominal value of the Preference Shares then in issue, or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Preference Shares then in issue.

(b) Additional Preference Shares

The likely tax treatment of an individual or corporate preference shareholder who is resident in the United Kingdom (for tax purposes) and who receives additional preference shares in lieu of a cash dividend in the circumstances outlined in Part II under the heading "Dividends" is set out below.

An individual preference shareholder who is liable to pay income tax at the higher rate will be treated for the purposes of income tax as having received gross income of an amount which, when reduced by income tax at the lower rate, is equal to the market value of the additional preference shares (the "Cash Equivalent") and will be liable to pay additional tax, calculated by multiplying the grossed up amount of the Cash Equivalent by the difference between the higher and lower rate (currently 20 per cent.). An individual who (after taking account of his receipt of additional preference shares) is liable to income tax on dividends at the lower rate, will have no further

liability to income tax on the receipt of the additional preference shares. For capital gains tax purposes, the additional preference shares will be added to the shareholder's then existing holding of preference shares in the Company and treated as if they had been acquired at the same time as the existing holding was acquired. The Cash Equivalent will be treated as the consideration given for the additional preference shares although the indexation allowance will be based on the amount of the Cash Equivalent only from the date of issue of the additional preference shares. A corporate preference shareholder will not be liable to corporation tax in respect of the receipt of additional preference shares issued in lieu of a cash dividend. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the additional preference shares.

The above summary reflects certain aspects of current law and practice in the United Kingdom and may not apply to certain classes of person (such as dealers). Preference shareholders who are in any doubt as to their personal taxation position or who may be subject to tax in any other jurisdiction should consult their professional advisers.

7. Directors' and Other Interests

- (a) The interests of the Directors and their immediate families in the capital of the Company as at the Latest Practicable Date, as notified to the Company pursuant to sections 324, 328 and 346 of the Companies Act 1985 and shown in the register maintained under section 325 of the Companies Act 1985 were as follows:

| Name | Ordinary Shares | Options to subscribe for Ordinary Shares |
|--------------------------------|-----------------|--|
| P.J. Gillam | 812 | 118,600 |
| R.I.J. Agnew | 750 | — |
| R.A.M. Baillie | 4,869 | — |
| The Hon. D.P. Brougham | 500 | 118,103 |
| W.C.L. Brown CBE | 6,267 | — |
| C.N.A. Castleman | 500 | 145,809 |
| J.E. Craig OBE | 10,938 | — |
| K.A.V. Mackrell | 1,065 | — |
| J. McFarlane | 500 | 100,645 |
| D.G. Moir | 1,007 | 140,358 |
| Sir Ralph Robins | 818 | — |
| A.W.P. Stenham | 500 | — |
| The Rt. Hon. Lord Stewartby RD | 536 | — |
| G.G. Williams | 2,000 | 50,000 |
| G.M. Williamson | 1,092 | 196,934 |
| P.A. Wood | 500 | 128,645 |

None of the above interests had been notified to the Company as non-beneficial.

- (b) There were no transactions between the Directors and the Company or any of its subsidiaries in the current financial year or the financial year ended 31st December, 1992 which are or were unusual in their nature or conditions or significant to the business of the Group. There were no transactions between the Directors and any member of the Group in earlier financial periods which are or were unusual in their nature or conditions or significant to the business of any member of the Group and which remain in some respect outstanding or unperformed.

- (c) The total of all outstanding loans granted by any member of the Group to the Directors as at the Latest Practicable Date was £21,433. No guarantees were provided by any member of the Group for the benefit of Directors.
- (d) As at the Latest Practicable Date, the Company had been notified of the following interests of 3 per cent. or more in its Ordinary Shares:

| Shareholder | Number of Ordinary Shares | Percentage of issued Ordinary Share capital |
|--------------------------|------------------------------|---|
| Tan Sri Khoo Teck Puat | 35,813,612 | 14.92 |
| Chase Nominees Limited* | 14,368,806 | 5.99 |
| Lloyds Bank PLC | 10,947,000 | 4.56 |
| Franklin Resources, Inc. | 7,252,900 | 3.02 |

* Non-beneficial interest.

8. Directors' Service Agreements

- (a) Each of the undermentioned Executive Directors has entered into a service agreement with the Company or its subsidiary, Standard Chartered Bank.

| Name | Date of agreement | Current salary per annum |
|-------------------------|----------------------|-----------------------------|
| P. J. Gillam | 5th March, 1993 | £230,000 |
| The Hon. D. P. Brougham | 1st January, 1993 | £171,500 |
| C. N. A. Castleman | 6th November, 1991 | £187,000 |
| J. McFarlane | 29th June, 1993 | £250,000 |
| D. G. Moir | 29th March, 1993 | £180,000 |
| G. M. Williamson | 30th May, 1989 | £263,500 |
| P. A. Wood | 22nd March, 1993 | £250,000 |

- (b) In addition to the above, the Executive Directors receive certain ancillary benefits and, except for P.J. Gillam, receive non-contributory pension benefits. They also participate in the Group's performance related incentive scheme under which they may receive annual bonuses, provided both the Group, and they as individuals, achieve certain objectives. The Executive Directors' service agreements are terminable by either party on three years' notice and automatically renew on the anniversary of the date of each contract. None of the other Directors has a service agreement which cannot be terminated within one year.
- (c) The aggregate remuneration paid by the Group to the Directors for the year ended 31st December, 1992, including pension contributions, was £2.2 million.

9. Employee Share Schemes

The Company operates the following schemes each of which is approved by the Inland Revenue:

- (a) *The Standard Chartered Group Profit-sharing Scheme (the "Profit-sharing Scheme")*
- (i) The Profit-sharing Scheme is open to employees (including Executive Directors) having a normal working week of not less than 16 hours who are subject to income tax under Case 1 of Schedule E in respect of such employment and who have been employed by a participating company for a continuous period of at least five years or such shorter date as the Directors determine.

- (ii) In each year in which the Profit-sharing Scheme operates the Directors determine the amount of profit to be allocated to the employees under the Profit-sharing Scheme subject to a maximum of 5 per cent. of the profit before taxation for the financial year in question. This amount is applied by the trustee of the Profit-sharing Scheme in acquiring Ordinary Shares in the Company. As required by the statutory provisions under which the Profit-sharing Scheme is approved, Ordinary Shares acquired by the trustee and allocated to participants must be held by them throughout a retention period (currently two years from the date of allocation unless shortened by death, the attainment of statutory pensionable age or cessation of service by reason of redundancy, injury or disability, when they may be sold by, or transferred to, the employee concerned or his personal representatives). In addition, a participant may, during the period of retention, direct the trustee to accept certain offers for his Ordinary Shares (for example, on a takeover). After the expiry of the period of retention and until the release date (currently five years from the date of allocation) the trustee will retain such Ordinary Shares until the participant concerned wishes to sell them or have them transferred to himself. After the release date the trustee will transfer the Ordinary Shares to the participant or as he may direct.
- (b) *The Standard Chartered Group Savings-related Share Option Scheme (the "Savings-related Scheme")*
- (i) The Savings-related Scheme is open to all full time employees of the Company and any participating subsidiaries who have completed five years continuous service at the relevant date (or such shorter period as the Directors may determine) and who are taxed under Schedule E Case 1.
 - (ii) The price at which a participant may subscribe for Ordinary Shares in the Company on the exercise of an option shall not be less than (i) the higher of 80 per cent. of the average middle market quotation of an Ordinary Share as derived from the London Stock Exchange Daily Official List for the three dealing days (or such shorter period as may be applicable) immediately prior to the date on which an invitation to apply for an option is made; and (ii) the nominal value of an Ordinary Share.
 - (iii) The Directors may at their discretion, invite eligible employees to participate during the six week period after the date of the announcement of the Company's final or interim results. An employee who applies to participate will normally be granted an option (which is not transferable) over a number of Ordinary Shares, the aggregate option price of which does not exceed the proceeds (including any relevant bonus) of an approved Save-As-You-Earn ("SAYE") contract. Contributions under such a contract must be between £10 and £250 per month throughout the term of the SAYE contract.
 - (iv) In any three year period the number of Ordinary Shares over which options are granted under the Savings-related Scheme, when added to the number of Ordinary Shares issued under any share incentive scheme operated by the Company or placed under option under any other share option scheme by the Company may not exceed three per cent. of the issued Ordinary Share capital of the Company from time to time. Additionally, throughout the duration of the Savings-related Scheme, the number of Ordinary Shares over which options are granted under the Savings-related Scheme, when added to

the number of Ordinary Shares issued under any share incentive scheme operated by the Company or placed under option under any other share option scheme operated by the Company, may not exceed 23,359,415 Ordinary Shares.

- (v) An option will not normally be exercisable until the earliest date at which the bonus is payable under the relevant SAYE contract and, if not exercised by the end of the option period, will lapse. However, options may be exercised earlier than this in certain specified circumstances, including death, redundancy, or retirement. There are also rights of early exercise in the event of a take-over of the Company or its reconstruction or winding-up. Whenever an option is exercised before completion of the SAYE contract, the exercise of such option is limited to the total refunded contributions together with any bonus or interest due. Option holders also have the right, with the consent of the acquiring company, to release their options in consideration of the grant of new options over shares of the acquiring company (or an associated company) in the event that another company acquires control of the Company.
- (vi) Following the exercise of an option, the appropriate number of Ordinary Shares will be allotted to the option holder concerned and such Ordinary Shares will rank (subject to dividend and other entitlements arising by reference to a record date prior to their issue) *pari passu* with other Ordinary Shares then in issue: the Company will apply for such Ordinary Shares to be admitted to the London Stock Exchange Daily Official List.
- (vii) In the event of any capitalisation or rights issue by the Company, or of any consolidation, sub-division or reduction of its share capital, the number, nominal amount and class of shares subject to any option and the subscription price may be adjusted by the Directors subject to the Company's auditors confirming in writing that such adjustment is in their opinion, fair and reasonable.

(c) *The Standard Chartered Group Executive Share Option Scheme (the "Executive Scheme")*

- (i) The Executive Scheme is open to all full time employees of the Company and any participating subsidiaries. The Directors may at their discretion, from time to time grant options to employees selected by them.
- (ii) The price at which a participant may subscribe for Ordinary Shares in the Company on the exercise of an option shall not be less than the higher of (i) the average middle market quotation of an Ordinary Share as derived from the London Stock Exchange Daily Official List for the dealing day immediately prior to the date on which the relative option is granted or, in the case of an option granted on or after 1 January 1992, 85 per cent. of such amount; and (ii) the nominal value of an Ordinary Share.
- (iii) The maximum number of Ordinary Shares which may be issued under the Executive Scheme is 11,679,000. In any three year period the number of Ordinary Shares over which options are granted under the Executive Scheme, when added to the number of Ordinary Shares issued under any share incentive scheme operated by the Company or placed under option under any other share option scheme by the Company may not exceed three

per cent. of the issued Ordinary Share capital of the Company from time to time. Additionally throughout the duration of the Executive Scheme, the number of Ordinary Shares over which options are granted under the Executive Scheme, when added to the number of Ordinary Shares issued under any share incentive scheme operated by the Company or placed under option under any other share option scheme operated by the Company, may not exceed 23,359,415 Ordinary Shares.

- (iv) An option will not normally be exercisable before the third anniversary of the date on which it was granted but may be exercised at any time and from time to time thereafter until the tenth anniversary of the date on which the option was granted whereupon if not exercised it will lapse. However, options may be exercised earlier than this in certain specified circumstances, including death, redundancy, retirement or transfer of the Group's business to a company which is not associated with the Company. There are also rights of early exercise in the event of a take-over of the Company or its reconstruction or winding-up. Option holders also have the right, with the consent of the acquiring company, to release their options in consideration of the grant of new options over shares of the acquiring company (or an associated company) in the event that another company acquires control of the Company.
- (v) Following the exercise of an option, the appropriate number of Ordinary Shares will be allotted to the option holder concerned and such Ordinary Shares will rank (subject to dividend and other entitlements arising by reference to a record date prior to their issue) *pari passu* with other Ordinary Shares then in issue. The Company will apply for such Ordinary Shares to be admitted to the London Stock Exchange Daily Official List.
- (vi) In the event of any capitalisation or rights issue by the Company, or of any consolidation, sub-division or reduction of its share capital, the number, nominal amount and class of shares subject to any option and the subscription price may be adjusted by the Directors subject to the Company's auditors reporting to the Board that such adjustment is in their opinion fair and reasonable.

10. Subsidiaries and Other Investments

- (a) The following table contains a list of the principal subsidiaries of the Company at the Latest Practicable Date. These companies, all of which are wholly owned, are considered by the Directors to be likely to have a significant effect in relation to an assessment of the assets and liabilities, the financial position and the profits of the Group. The audited consolidated accounts for the year ended 31st December, 1992 include the audited results, cashflows and balance sheets of each of these companies.

| Name and registered office of company | Country of incorporation | Issued and paid-up share capital at 31st December, 1992 | Field of activity |
|---|--------------------------|--|--------------------------------|
| Standard Chartered Bank 1 Aldermanbury Square London EC2V 7SB | England | 1,012,023,057 stock units of £1 each | Commercial banking |
| Chartered Trust plc 24-26 Newport Road Cardiff, CF2 1SR | England | 131,628,072 ordinary shares of 25p each | Instalment finance and leasing |
| Standard Chartered Asia Limited 33rd Floor Jardine House Central, Hong Kong | Hong Kong | 167,275,999 deferred ordinary shares of HK\$1 each and 1 ordinary share of HK\$1 | Merchant banking |
| Standard Chartered Merchant Bank Asia Limited 6 Battery Road # 22-01 Singapore 0104 | Singapore | 20,000,000 shares of S\$1.00 each | Merchant banking |
| Standard Chartered Securities Limited 23rd Floor Bank of China Tower 1 Garden Road Central, Hong Kong | Hong Kong | 1,975,000 shares of HK\$10 each | Stockbroking |

- (b) Other subsidiaries and investments include:

| Name | Registered office | Percentage of capital held |
|---|---|----------------------------|
| Standard Chartered Holdings Limited, Standard Chartered Capital Markets Limited, and Standard Chartered Investments Limited | 1 Aldermanbury Square London EC2V 7SB | 100 |
| CWB Capital Partners Ltd | 75 King William Street London EC4N 7HA | 50 plus 1 share |
| Chartered Trust Group plc | 24-26 Newport Road Cardiff CF2 1SR, Wales | 100 |
| Standard Chartered Insurance Limited, and Standard Chartered Bank (Isle of Man) Limited | 64 Athol Street Douglas, Isle of Man | 100 |
| Standard Chartered Offshore Limited, and Standard Chartered Bank (C.I.) Limited | PO Box 89 Standard Chartered House Conway Street St Helier JE4 8PY, Jersey | 100 |

| <u>Name</u> | <u>Registered office</u> | <u>Percentage of capital held</u> |
|--|---|---|
| Standard Chartered Holdings (International) BV | World Trade Centre Amsterdam Tower A, 6th Floor Strawinskylaan 603 1077XX Amsterdam The Netherlands | 100 |
| Standard Chartered Bank of Canada | 55 University Avenue 14th Floor Toronto, Ontario Canada M5J 2H7 | 100 |
| Standard Chartered Bank Bahamas Limited | PO Box N-7120 Nassau, Bahamas | 100 |
| Standard Chartered Bank (Switzerland) A.G. | Bleicherweg 62 8002 Zurich, Switzerland | 100 |
| Standard Chartered Bank Botswana Limited | Box 496, 5th Floor Chartered House The Mall Gaborone, Botswana | 75 |
| Standard Chartered Bank Cameroon S.A. | Boulevard de la Liberté BP 1784 Douala, Cameroon | 66 |
| Standard Chartered Bank Gambia Limited | Box 259, 8 Buckle Street Banjul, Gambia | 75 |
| Standard Chartered Bank Ghana Limited | Standard Chartered Bank Building High Street PO Box 768 Accra, Ghana | 60 |
| Standard Chartered Bank Kenya Limited | 2nd Floor, Stanbac House Moi Avenue PO Box 30003 Nairobi, Kenya | 74.4 |
| Standard Chartered Bank Lesotho Limited | PO Box 1001 Maseru 100 Lesotho | 100 |
| First Bank of Nigeria PLC | 35 Marina, 10th Floor PO Box 5216 Lagos, Nigeria | 38 |
| Standard Chartered Bank Sierra Leone Limited | 9-11 Lightfoot Boston Street Freetown Sierra Leone | 80.66 |
| Standard Chartered Bank Swaziland Limited | 21 Allister Miller Street PO Box 68 Mbabane, Swaziland | 55 |
| Standard Chartered Bank Tanzania Limited | NIC Life House Corner Sokoine Drive and Ohio Street Dar es Salaam, Tanzania | 100 |
| Standard Chartered Bank Uganda Limited | 5 Speke Road Kampala, Uganda | 100 |

| <u>Name</u> | <u>Registered office</u> | <u>Percentage of capital held</u> |
|--|---|---|
| Standard Chartered Bank Zambia Limited | Standard House Cairo Road PO Box 32238 Lusaka, Zambia | 90 |
| Standard Chartered Bank Zimbabwe Limited | John Boyne House Speke Avenue/Inez Terrace Harare, Zimbabwe | 100 |

11. Litigation and Other Matters

- (a) On 24th August, 1993, Monsia Investments served proceedings against Standard Chartered Bank in Singapore claiming S\$237,940,000 (approximately £99,900,000) arising out of the realisation of certain assets which were pledged to the Group as security for loans made to Monsia. The Directors have been advised that the action is unlikely to succeed and are not proposing to make provision in respect of the claim.
- (b) In 1992, the Group was awarded US\$338 million in damages by a trial jury in its litigation against Price Waterhouse arising from its acquisition of United Bank of Arizona in 1987. This award was subsequently set aside by the trial judge and no recovery has been reflected in the Group's financial statements. The Group has appealed against the trial judge's decision and the Directors remain confident that the Group has a good case.
- (c) During 1992, the Group identified deficiencies in its assets in India as a result of certain transactions in the securities markets which had been carried out in breach of the Group's procedures, frauds (similar to those which affected many financial institutions in India), and the failure of various counterparties to meet their contractual obligations. Provisions totalling £272 million were raised in respect of the potential exposure, which the Group assessed as at 31st December, 1992 at £343 million (Rupees 16,060 million). This exposure included claims against the National Housing Bank of India and the State Bank of Patiala.

In September, 1993, the Group received £25.9 million from the National Housing Bank of India and in November, 1993, £7.9 million from the State Bank of Patiala in negotiated settlements of its civil claims against those banks. The Group continues to pursue criminal and other civil actions to recover the remaining assets in question. However, significant uncertainty remains about the amount and timing of such recoveries.

- (d) The Hong Kong Securities and Futures Commission (the "Commission") is conducting an investigation into the trading of the shares of certain companies which have been the subject of initial public offers ("IPOs") on the Hong Kong Stock Exchange. Standard Chartered Asia Limited is a major sponsor of IPOs and Standard Chartered Securities Limited is a frequent sub-underwriter of IPOs. Certain IPOs which involved Standard Chartered Asia Limited and Standard Chartered Securities Limited are included in the Commission's investigation, and both companies are co-operating with the Commission in its investigation. The Directors of Standard Chartered do not believe that the outcome of the investigation is likely to have a significant effect on the Group's financial position.

Neither the Company nor any of its subsidiaries is involved in any other legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on the financial position of the Group, nor so far as the Directors are aware, are any such proceedings pending or threatened against any member of the Group.

12. Material Contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this document and are or may be material.

- (a) An agreement dated 5th June, 1992 between Standard Chartered, the Bank, Standard Chartered Holdings Inc., First Interstate Bancorp ("First Interstate"), First Interstate Bank Limited, First Interstate Bank of California, First Interstate Holding (UK) Limited and First Interstate Overseas Investment Inc. under which Standard Chartered Bank and certain subsidiaries acquired from First Interstate and its subsidiaries, First Interstate's international, corporate finance, international correspondent banking and treasury businesses conducted through offices in the USA and 14 other countries. The aggregate consideration is based on the fair market value of the assets acquired, with no goodwill premium, and amounts to approximately £550 million, which was satisfied in cash and by the assumption of liabilities.

As part of the arrangements agreed pursuant to this agreement, Standard Chartered and First Interstate and certain of their respective subsidiaries entered into a business development and operating services agreement dated 5th June, 1992 which provides a framework for marketing and delivery of services and products between the two organisations.

- (b) An agreement dated 30th November, 1992 between First Interstate, First Interstate Holding (UK) Limited, First Interstate Services Company (UK) Limited and Standard Chartered under which the Bank and certain of its subsidiaries acquired from First Interstate and certain of its subsidiaries the business of investing and trading in capital market instruments, including emerging market debt, for an aggregate cash consideration of approximately £20 million.
- (c) An agreement dated 20th December, 1992 under which Rioloy Limited purchased commercial property at 4-4A Des Voeux Road Central, Hong Kong from the Bank for a total cash consideration of HK\$600,000,000 (approximately £51,000,000), subject to the continuation of a lease in favour of the Bank. The sale was conditional upon an agreement of the same date under which Rioloy Limited purchased an operating lease of commercial property in 4-4A Des Voeux Road from the Bank for a total cash consideration of HK\$300,000,000 (approximately £25,000,000), Amoy Properties Limited acting as guarantor. This sale was subject to the Bank being granted five licences over part of the property and two leaseback arrangements taking effect on the expiration of those licences.
- (d) Agreements dated 22nd and 23rd December, 1992 and 6th January, 1993 between the Bank and various companies within the Koon Wah Group under which those companies purchased thirteen commercial properties in Hong Kong from the Bank for a total cash consideration of HK\$782,000,000 (approximately £66,000,000). All the sales were subject to leaseback arrangements commencing on completion for varying terms ranging from three to fifteen years and at rents between HK\$95,000 and HK\$1,150,000 per month.
- (e) The Placing Agreement referred to in Part IV of this document.

13. General

- (a) The numbers of employees of the Group as at 31st December in each of the three preceding years, were:

| | |
|------|--------|
| 1990 | 27,689 |
| 1991 | 29,649 |
| 1992 | 30,371 |

- (b) The expenses of and incidental to the issue and listing of the Preference Shares, including registration and listing fee, printing, advertising and distribution costs, the commission payable to Schroders, Cazenove and Salomon Brothers and legal, accounting and other professional fees, are estimated to amount to £1,080,000 (exclusive of value added tax) and are payable by the Company.
- (c) Schroders, Cazenove and Salomon Brothers are members of The Securities and Futures Authority Limited.
- (d) The financial information in relation to the Company contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory Accounts of the Company for the three financial years ended 31st December, 1990, 1991 and 1992 have been delivered to the Registrar of Companies.
- (e) KPMG Peat Marwick, Chartered Accountants, the auditors of the Company, have made a report under Section 235 of the Companies Act 1985 on the Statutory Accounts of the Group for each of the three years ended 31st December, 1992 none of which was qualified within the meaning of Section 262 of the Companies Act 1985 or contained a statement made under either Section 237(2) or (3) of the Companies Act 1985.
- (f) KPMG Peat Marwick, Chartered Accountants, have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their reports and the references to their name in the form and context in which it appears.
- (g) The Company is not a close company.
- (h) The issue price of 100.008p per Preference Share includes a premium of 0.008p per Preference Share.

14. Documents for Inspection

Copies of the following document are available for inspection at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date hereof:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the published audited consolidated accounts of the Company for the two years ended 31st December, 1992;
- (c) the statement of adjustments which describes the changes between the amounts shown in the published audited consolidated accounts for the Company for the three years ended 31st December, 1992 and the amounts shown in the Accountants' Report for the same period, which forms Part III of this document;
- (d) the Placing Agreement described in Part IV above;
- (e) the other material contracts referred to in section 12 above;

- (f) the rules of the share option schemes referred to in section 9 above;
- (g) the service agreements referred to in section 8 above;
- (h) the consent referred to in section 13 above; and
- (i) the trust deeds constituting the items of loan capital referred to in section 5 above.

REGISTERED OFFICE OF THE COMPANY

1 Aldermanbury Square
London EC2V 7SB

BROKERS TO THE PLACING

Cazenove & Co.

12 Tokenhouse Yard
London EC2R 7AN

LEGAL ADVISERS

To the Company

Slaughter and May

35 Basinghall Street
London EC2V 5DB

To the Placing

Linklaters & Paines

Barrington House
59-67 Gresham Street
London EC2V 7JA

AUDITORS

KPMG Peat Marwick

PO Box 486
1 Puddle Dock
Blackfriars
London EC4V 3PD

REGISTRAR

National Westminster Bank Plc

Registrars' Department
PO Box 82
Caxton House
Redcliffe Way
Bristol BS99 7YA