

LISTING PARTICULARS dated 7 December 1995



Standard Chartered PLC

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

Placing of 100,000,000 8¹/₄ per cent. Non-Cumulative Irredeemable Preference Shares of £1 each at 101.053 pence per share

Copies of this document, which comprises listing particulars relating to Standard Chartered 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 8 December 1995, for deferred settlement on 21 December 1995.

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

J. HENRY SCHRODER & CO. LIMITED

CAZENOVE & CO.

SBC WARBURG

A DIVISION OF SWISS BANK CORPORATION

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EXPECTED TIMETABLE OF EVENTS

	1995
Official dealings commence, fully paid, for account settlement subject to deferred settlement for initial dealings	8 December
Definitive Preference Share certificates despatched	14 December
Deferred settlement for initial dealings	21 December
	1996
First dividend payment on the Preference Shares	1 April

DEFINITIONS

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

“Standard Chartered” or “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 8 ¹ / ₄ 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 3 December 1993, and the 12,000,000 non-cumulative preference shares of US\$5 each;
“Board”	the Board of Directors;
“Existing Preference Shares”	the 100,000,000 7 ³ / ₈ per cent. non-cumulative irredeemable preference shares of £1 each in the Company issued and subscribed pursuant to a placing as described in listing particulars of the Company dated 9 December 1993;
“Cazenove”	Cazenove & Co.;
“HK\$”	Hong Kong Dollars
“Latest Practicable Date”	1 December 1995, being the latest practicable date prior to the publication of this document;
“London Stock Exchange”	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited;
“MYR”	Malaysian Ringgits
“Official List”	the Official List of the London Stock Exchange;
“Ordinary Shares” or “Shares”	the ordinary shares of 25 pence each in the Company;
“Placing”	the placing of the Preference Shares as described in this document;
“Placing Agreement”	an agreement dated 7 December 1995 between the Company, Schroders, Cazenove and SBC Warburg relating to the Placing;
“Placing Price”	101.053p per Preference Share;
“Schroders”	J. Henry Schroder & Co. Limited;
“SBC Warburg”	Swiss Bank Corporation, acting through its division SBC Warburg;
“SFr”	Swiss Francs;
“S\$”	Singapore Dollars; and
“Tier 1 Capital”	Tier 1 Capital as defined by the Bank of England’s notice to authorised institutions on Implementation of the Directive on Own Funds of Credit Institutions dated December 1990

DIRECTORS

Patrick John Gillam

(Chairman)

Patrick Gillam, age 62, joined the Board on 1 August 1988 and became Chairman on 6 May 1993. He is also non-executive Chairman of Asda Group PLC and a non-executive 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 Lord Stewartby, age 60, joined the Board on 1 January 1990. He is executive Chairman of The Throgmorton Trust PLC, non-executive Deputy Chairman of Angerstein Underwriting Trust plc, and a non-executive director of Diploma PLC and other companies. He is also a member of the Securities and Investments Board. He was Economic Secretary to the Treasury from 1983 to 1987.

George Malcolm Williamson

(Group Chief Executive)

Malcolm Williamson, age 56, was appointed to the Board on 1 September 1989 and became Group Chief Executive on 1 January 1993. He is also a non-executive director of The National Grid Company plc. He previously held general management positions with Barclays PLC and was a board member of the Post Office and Managing Director of Girobank Plc.

The Hon David Peter Brougham

David Brougham, age 55, was appointed to the Board on 1 January 1993. He joined Standard Chartered as Head of Credit in 1989. He has for some years been Director with responsibility for banking activities in Europe, America, Africa, The Middle East and South Asia. He previously held senior positions with Lloyds Bank International and Mellon Bank Corporation.

Christopher Norman Anthony Castleman

Christopher Castleman, age 54, was appointed to the Board on 1 December 1991. He is Executive Director responsible for certain strategic projects and major client relationships. He has extensive experience in merchant banking and financial services and was previously Chief Executive of The Hill Samuel Group PLC.

John McFarlane OBE

John McFarlane, age 48, was appointed to the Board on 29 June 1993. He is responsible for Group Strategic Planning, and has worldwide business responsibility for Standard Chartered Markets, Institutional Banking, Private Banking and for the Group's Problem Country Debt Portfolio. He has responsibility for overall strategy and governance of Standard Chartered's operations in North East Asia (Hong Kong, China, Taiwan, Japan and Korea). He is also a non-executive director of Capital Radio plc. Previously, he was head of Citibank NA in the United Kingdom, and Chief Executive of Citibank International plc.

David George Moir

David Moir, age 55, was appointed to the Board on 1 January 1993. He joined the Bank in 1958 and, after serving various senior positions in Africa and the Far East, became Director of banking with responsibility for the Asia Pacific region in June 1990. He is responsible for corporate banking worldwide and has geographic responsibility for South East Asia. He is based in Singapore.

Philippe Marcel Etienne Paillart

Philippe Paillart, age 44, was appointed to the Board as Executive Director, responsible for Personal Banking on 7 August 1995. He joined the Bank in 1993 from Citibank NA where he held various senior positions. Previously, he held senior positions with Regie Nationale des Usines Renault. He is based in Singapore.

Peter Anthony Wood

Peter Wood, age 52, was appointed to the Board as Executive Director on 1 May 1993. He is responsible for Finance and Risk Management. He has extensive experience of finance and banking, and was previously Finance Director of Barclays PLC.

Rudolph Ion Joseph Agnew*

Rudolph Agnew, age 61, joined the Board on 1 August 1988. He is non-executive Chairman of Stena Line (UK) Ltd; Stena International BV (Holland); Bona Shipholding Ltd; Federated Aggregates plc; Lasmo plc; Redland PLC; Star Mining Corporation NL; and a non-executive director of Newmont Mining Corp (USA); Newmont Gold Company (USA); and International Tool and Supply PLC. He was formerly Chairman and Group Chief Executive of Consolidated Gold Fields PLC.

Ronnie Chichung Chan*

Ronnie Chan, age 45, was appointed to the Board on 5 May 1994. He has considerable business interests and is executive Chairman of Hang Lung Development Company Limited, a company included in the Hang Seng Index. Mr Chan is based in Hong Kong. He is founder and a director of the Morningside Group and Springfield & Company.

Keith Ashley Victor Mackrell*

Keith Mackrell, age 63, joined the Board on 1 October 1991. He is a non-executive director of British Gas PLC, Regalian Properties PLC, Rexham PLC and Fairey Group plc. He is also a governor of the London School of Economics and Political Science and Chairman of Enterprise LSE. Previously he was a director of Shell International Petroleum Company.

Hugh Edward Norton*

Hugh Norton, age 59, joined the Board on 7 August 1995. He was until recently a managing director of British Petroleum Company Plc where he had responsibility for Europe, Asia Pacific and Middle East regions, as well as for human resources and IT. He is a non-executive director of Inchcape plc.

Rodney James Olsen*

Rodney Olsen, age 50, joined the Board on 7 August 1995. He is Executive Director, Finance of Cable and Wireless plc which he joined in 1976. He is also a non-executive director of Astec (BSR) PLC. He has significant experience in the Asia Pacific region.

Sir Ralph Harry Robins*

Ralph Robins, age 63, joined the Board on 1 October 1988. He is executive Chairman of Rolls-Royce plc, and a non-executive director of Schroders plc, Marks & Spencer plc, Cable and Wireless plc and Cooper Industries Inc.

Anthony William Paul Stenham*

Cob Stenham, age 63, joined the Board on 1 October 1991. He is executive Chairman of Arjo Wiggins Appleton plc, Deputy Chairman of Telewest plc and a non-executive director of The Rank Organisation Plc, Unigate PLC and Trafalgar House plc.

*Non-executive

All the Directors are British subjects except for PME Paillart, who is a citizen of France; RC Chan, who is a citizen of the United States; and RJ Olsen, who is a citizen of New Zealand. The Directors' business address is 1 Aldermanbury Square, London EC2V 7SB.

PART I — STANDARD CHARTERED

1. Description of Business

Standard Chartered PLC is the holding company of a multi-national 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% of the Group's profits before charge for bad and doubtful debts in the six month period ended 30 June 1995. 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 35% of the Group's total profit before charge for bad and doubtful debts in the six month period ended 30 June 1995. The Group's commercial banking network also covers Africa, the Americas, the Middle East, South Asia and the UK.

The Group's principal businesses are personal banking, corporate and institutional banking, specialising in trade finance, and the supply of capital market, treasury and custody services.

Standard Chartered PLC is incorporated in England and has its Group headquarters in London. The Group operates through more than 600 offices in over 40 countries, and has over 26,000 employees. The Company's Ordinary Shares and Existing Preference Shares are listed on the London Stock Exchange. The Group is principally regulated by the Bank of England.

2. Reasons for the Placing

At an Extraordinary General Meeting held on 3 December 1993, the Company's shareholders approved the creation of the Authorised Preference Shares. On 9 December 1993 the Company allotted 100,000,000 $7\frac{3}{8}$ per cent. non-cumulative irredeemable preference shares. At the Company's Annual General Meeting held on 4 May 1995 the shareholders renewed the Directors' authority to allot the unissued Authorised Preference Shares.

The Board believes that the time is now right to issue a further 100,000,000 preference shares. 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 Preference Shares will increase the amount of Tier 1 Capital available to support increased levels of business without the degree of dilution associated with an issue of Ordinary Shares.

3. Financial and Trading Position

The Group's unaudited results for the six months ended 30 June 1995 are reproduced in section 4 below. There has been no significant change in the financial or trading position of the Group since 30 June 1995, being the date to which the latest unaudited interim financial statements have been published. The Directors believe that the factors affecting the Company's prospects remain substantially the same as at the time of the interim results.

4. Interim Report

The following is the full text of the Company's unaudited interim report for the six months ended 30 June 1995

"Standard Chartered PLC

Results for the first half of 1995

	6 months ended 30.6.95 £ million	6 months ended 30.6.94 £ million	6 months ended 31.12.94 £ million
Results			
Profit before charge for debts	336	294	333
Charge for bad and doubtful debts	(30)	(69)	(53)
Profit before taxation	319	237	273
Profit attributable to shareholders	<u>212</u>	<u>145</u>	<u>177</u>
Balance sheet			
Total assets	38,649	36,232	34,214
Shareholders' funds	1,709	1,412	1,530
Capital resources	<u>3,098</u>	<u>2,820</u>	<u>2,922</u>
	pence	pence	pence
Information per ordinary share			
Earnings per share	21.6	14.7	18.0
Dividends per share	3.25	2.25	5.75
Net asset value per share	<u>166.2</u>	<u>136.5</u>	<u>148.3</u>
	%	%	%
Ratios			
Post-tax return on ordinary shareholders' funds (annualised)	27.4	22.4	25.4
Cost to income ratio	60.7	63.8	60.5
Capital ratios:			
Tier 1 capital	7.3	7.0	7.5
Total capital	<u>12.8</u>	<u>13.8</u>	<u>14.2</u>

Chairman's statement

The Group's performance in the first six months of 1995 has been excellent. This is the fourth half-year in succession when our profit before taxation has risen. Profit before tax was £319 million, an increase of 35% over the first half of 1994. Earnings per share have increased by 47% from 14.7p to 21.6p and the return on shareholders' equity was 27.4%.

This outstanding performance, from almost all parts of the business, has enabled the Board to raise the interim dividend by 44% to 3.25p.

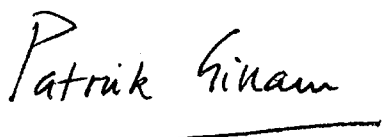
It is now over two years since I became Chairman and during that period Standard Chartered has developed its strategy focusing on those businesses and geographic areas where we have particular strengths and advantages. Generally, most of the areas of the world in which we operate are enjoying good economic conditions which offer us the opportunities reflected in these figures.

We are working hard to expand and develop our Personal Banking, Corporate Banking, Institutional Banking and Custody businesses and Treasury operations. Progress is altogether very encouraging.

In view of the importance of Personal Banking to the Group, it is particularly pleasing to note the appointment of Philippe Paillart as a Group Executive Director. Philippe joined Standard Chartered Bank in 1993 as head of Personal Banking in Hong Kong, taking on wider responsibilities for the Group's Personal Banking business in April 1994.

We are also delighted to welcome two new non-executive directors to the Board: Rodney J Olsen, who is Executive Director, Finance of Cable and Wireless Plc, and Hugh E Norton, a former Managing Director of British Petroleum Plc with responsibility for the Europe, Asia Pacific and Middle East Regions. Both have long career associations with the areas of the world that are most important to the Bank.

Our overall objectives remain the same as ever – to produce higher profits, maintain strong capital ratios and improve shareholder returns.

A handwritten signature in dark ink, reading "Patrick Gillam". The signature is written in a cursive style. Below the signature is a horizontal line.

Patrick Gillam
9 August 1995

Group Chief Executive's review

The first six months of 1995 have seen a strong performance by the Group combining revenue growth and control of costs with a lower bad debt charge.

The Group's total assets have grown from £36.2 billion at 30 June 1994 to £38.6 billion at 30 June 1995. We have strengthened our liquidity through increasing our stocks of low risk Treasury Bills and similar instruments by over £850 million. Most of the balance is in loans and advances to customers. Of this, over half is in mortgage lending which will be a source of future revenue.

Net interest income is up by 7% with good progress made in our key businesses. The Group's net interest margin has been maintained at 3.3%. As we are holding more low risk assets which have low yields, the interest spread has reduced from 2.7% to 2.5% compared with the same period last year.

Control of costs has remained a major focus for the Group in 1995 and they are at the same level as in the first half of 1994. This has been achieved through continuing headcount reductions and by re-engineering operational processes. We have incurred £49 million in restructuring costs over the last eighteen months from which we are already reaping benefits.

We are on course to meet our previously stated commitment to reduce headcount to 25,000 by the end of 1996.

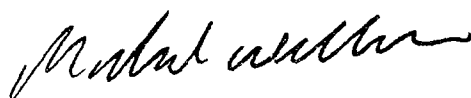
The charge for bad debts was £30 million, substantially lower than the £69 million in the first half of 1994. This reflects a better quality portfolio and conservative provisioning in the past. At 30 June 1995 non-performing lending (excluding problem country debt) had reduced by £162 million to £440 million representing 2.4% of the portfolio.

Profit before provisions from commercial banking, which includes our personal, corporate, institutional and custody businesses, increased by 14% to £214 million compared with the first half of 1994. There has been growth in the key businesses and the charge for debts has been reduced from £36 million to £16 million. A significant factor in this growth was increased mortgage lending in Hong Kong, Singapore and Malaysia and the expansion of our credit card business in Asia. This contributed to a substantial growth in profits from Personal Banking products. Profits from Corporate Banking, where our focus continues to be on good quality lending and trade products, also increased.

The Group's Treasury business benefited from an upturn in trading conditions and volumes have improved as a result of successful sales and marketing initiatives. Profits from this business increased by 6% with a good performance from foreign exchange earnings demonstrating the strength of our franchise in exotic currencies.

Hong Kong operating profit was up 16% in local currency terms on the same period last year.

These results demonstrate another period of strong profit growth, well controlled costs and a high quality loan portfolio. The Group is a leader in many of the markets in which it operates, providing us with exciting opportunities for future development and growth.



Malcolm Williamson
9 August 1995

Summarised consolidated profit and loss account (unaudited)

For the six months ended 30 June 1995

		6 months ended 30.6.95 £ million	6 months ended 30.6.94 £ million	6 months ended 31.12.94 £ million
	Notes			
Interest receivable		1,296	1,033	1,167
Interest payable		(778)	(551)	(662)
Net interest income		518	482	505
Fees and commissions receivable, net		196	196	200
Dealing profits and exchange	2	109	93	115
Other operating income	3	31	41	24
		336	330	339
Net revenue		854	812	844
Administrative expenses:				
Staff		(286)	(285)	(271)
Premises and equipment		(84)	(87)	(80)
Other		(114)	(116)	(123)
Depreciation and amortisation		(34)	(30)	(37)
Total operating expenses		(518)	(518)	(511)
Profit before charge for debts		336	294	333
Charge for bad and doubtful debts		(30)	(69)	(53)
Charge for contingent liabilities and commitments and amounts written off fixed asset investments		—	—	(6)
Share of results of associated undertakings		3	4	3
Profits less losses on disposal or termination of businesses		10	8	(4)
Profit before taxation	1	319	237	273
Taxation	4	(101)	(85)	(89)
Profit after taxation		218	152	184
Minority interests		(6)	(7)	(7)
Profit attributable to shareholders		212	145	177
Dividends on preference shares	5	(4)	(4)	(3)
Dividends on ordinary shares	6	(31)	(22)	(55)
Amount retained		177	119	119
Earnings per ordinary share	7	21.6p	14.7p	18.0p

Figures for 6 months ended 31.12.94 are arrived at by taking the full year 1994 and deducting the 6 months ended 30.6.94.

Summarised consolidated balance sheet (unaudited)

30 June 1995

	Notes	30.6.95 £ million	30.6.94 £ million	31.12.94 £ million
Assets				
Cash, balances at central banks and cheques in course of collection		382	415	426
Treasury bills and other eligible bills		2,729	1,858	2,200
Loans and advances to banks	10	9,620	9,914	8,709
Loans and advances to customers	10	18,223	17,033	16,844
Debt securities, equity shares and interests in associated undertakings		2,551	2,088	2,076
Tangible fixed assets		311	323	320
Prepayments, accrued income and other assets		4,833	4,601	3,639
Total assets		38,649	36,232	34,214
Liabilities				
Deposits by banks		6,789	6,134	5,099
Customer accounts		22,130	21,024	20,949
Debt securities in issue		1,074	831	812
Accruals, deferred income and other liabilities		5,558	5,423	4,432
Subordinated liabilities:				
Undated loan capital		966	996	982
Dated loan capital		387	377	376
Minority interests		36	35	34
Shareholders' funds	9	1,709	1,412	1,530
Total liabilities and shareholders' funds		38,649	36,232	34,214

Consolidated statement of total recognised gains and losses (unaudited)

For the six months ended 30 June 1995

	6 months ended 30.6.95 £ million	6 months ended 30.6.94 £ million	6 months ended 31.12.94 £ million
Profit attributable to shareholders	212	145	177
Exchange translation differences	(3)	—	(5)
Total recognised gains and losses	209	145	172

Historical cost profits and losses

There is no material difference between the results as reported and the results that would have been reported on a historical cost basis. Accordingly, no note of historical cost profits and losses has been included.

Notes

1 Segmental information

By geographic segment

	6 months ended 30.6.95						
	Asia Pacific					Middle	
	Hong Kong	Other countries	Americas	UK	Africa	East and S. Asia	Total
	£m	£m	£m	£m	£m	£m	£m
Interest receivable	487	452	78	603	106	112	1,838
Interest payable	(317)	(292)	(64)	(510)	(59)	(78)	(1,320)
Net interest income	170	160	14	93	47	34	518
Fees and commissions receivable, net	57	66	15	15	27	16	196
Dealing profits and exchange	17	33	11	39	10	(1)	109
Other operating income	2	6	3	18	1	1	31
Net revenue	246	265	43	165	85	50	854
Total operating expenses	(129)	(164)	(37)	(87)	(59)	(42)	(518)
Profit before charge for debts	117	101	6	78	26	8	336
Charge for debts	(3)	(1)	2	(20)	(5)	(3)	(30)
Share of results of associated undertakings	—	—	—	—	2	1	3
Exceptional items	—	—	2	4	4	—	10
Profit before taxation	114	100	10	62	27	6	319
Total assets employed	13,727	13,844	2,511	12,829	1,567	2,996	47,474
Net assets employed	442	512	91	465	66	133	1,709
Total risk weighted assets and contingents	5,880	7,410	1,193	5,855	906	1,897	23,141

Total interest receivable and total interest payable include intra-group interest of £542 million and total assets employed include intra-group items of £8,825 million.

1 Segmental information continued

By geographic segment continued

	6 months ended 30.6.94						
	Asia Pacific				Middle		
	Hong	Other			East and		
	Kong	countries	Americas	UK	Africa	S. Asia	Total
	£m	£m	£m	£m	£m	£m	£m
Interest receivable	343	343	63	475	107	96	1,427
Interest payable	(180)	(205)	(52)	(391)	(65)	(52)	(945)
Net interest income	163	138	11	84	42	44	482
Fees and commissions receivable, net	69	61	18	19	20	9	196
Dealing profits and exchange	11	32	14	19	5	12	93
Other operating income	1	3	5	20	2	10	41
Net revenue	244	234	48	142	69	75	812
Total operating expenses	(137)	(146)	(47)	(94)	(51)	(43)	(518)
Profit before charge for debts	107	88	1	48	18	32	294
Charge for debts	(1)	(20)	(11)	(32)	(2)	(3)	(69)
Share of results of associated undertakings	—	—	—	1	2	1	4
Exceptional items	2	6	—	—	—	—	8
Profit/(loss) before taxation	108	74	(10)	17	18	30	237
Total assets employed	13,436	11,999	2,655	13,990	1,479	2,681	46,240
Net assets employed	346	382	86	438	55	105	1,412
Total risk weighted assets and contingents	4,942	5,410	1,047	5,997	735	1,615	19,746

Total interest receivable and total interest payable include intra-group interest of £394 million and total assets employed include intra-group items of £10,008 million.

1 Segmental information continued

By geographic segment continued

6 months ended 31.12.94

	Asia Pacific					Middle	
	Hong Kong	Other countries	Americas	UK	Africa	East and S. Asia	Total
	£m	£m	£m	£m	£m	£m	£m
Interest receivable	408	381	33	591	103	102	1,618
Interest payable	(247)	(245)	(22)	(473)	(61)	(65)	(1,113)
Net interest income	161	136	11	118	42	37	505
Fees and commissions receivable, net	62	63	22	17	26	10	200
Dealing profits and exchange	15	26	10	33	15	16	115
Other operating income	4	5	1	14	1	(1)	24
Net revenue	242	230	44	182	84	62	844
Total operating expenses	(127)	(156)	(40)	(82)	(57)	(49)	(511)
Profit before charge for debts	115	74	4	100	27	13	333
Charge for debts and contingent liabilities and amounts written off fixed asset investments	(2)	(13)	(2)	(21)	(12)	(9)	(59)
Share of results of associated undertakings	(1)	—	—	2	1	1	3
Exceptional items	(8)	—	(2)	3	3	—	(4)
Profit before taxation	104	61	—	84	19	5	273
Total assets employed	12,903	12,176	2,279	13,397	1,527	2,712	44,994
Net assets employed	377	423	78	476	59	117	1,530
Total risk weighted assets and contingents	4,924	6,184	950	5,304	833	1,723	19,918

Total interest receivable and total interest payable include intra-group interest of £451 million and total assets employed include intra-group items of £10,780 million.

I Segmental information continued

By class of business

	6 months ended 30.6.95 £ million	6 months ended 30.6.94 £ million	6 months ended 31.12.94 £ million
Functionally directed:			
Commercial banking:			
Profit before charge for debts	214	187	191
Charge for debts and contingent liabilities	(16)	(36)	(26)
	198	151	165
Treasury:			
Profit before charge for debts	54	51	51
Charge for debts and contingent liabilities	(3)	—	(3)
	51	51	48
Investment banking:			
Profit/(loss) before charge for debts	(8)	(12)	(4)
Charge for debts and contingent liabilities	(2)	(4)	(1)
	(10)	(16)	(5)
Profit before exceptional items	239	186	208
Exceptional items	6	—	(10)
Profit before taxation	245	186	198
Geographically directed:			
Profit before charge for debts	62	59	56
Charge for debts and contingent liabilities and amounts written off fixed asset investments	(9)	(29)	(29)
Share of results of associated undertakings	3	4	3
Exceptional items	4	8	6
Profit before taxation	60	42	36
Problem country debt unit:			
Profit before taxation	14	9	39
Total profit before taxation	319	237	273

1 Segmental information continued

By class of business continued

	30.6.95		30.6.94		31.12.94	
	Total assets employed £ million	Net assets employed £ million	Total assets employed £ million	Net assets employed £ million	Total assets employed £ million	Net assets employed £ million
Functionally directed:						
Commercial banking	21,797	1,032	18,945	853	17,797	924
Treasury	17,072	250	18,265	206	17,029	223
Investment banking	1,101	17	949	14	988	15
Geographically directed	7,063	376	7,530	311	8,641	337
Problem country debt unit	441	34	551	28	539	31
	<u>47,474</u>	<u>1,709</u>	<u>46,240</u>	<u>1,412</u>	<u>44,994</u>	<u>1,530</u>

Local management in each country is responsible for the conduct of business. Designated management teams are also responsible for managing particular product and customer groups across Hong Kong, Singapore, Malaysia, Thailand, Indonesia, USA, UK and India. The businesses in these eight countries are described as being **Functionally directed**. In other countries, described as **Geographically directed**, many of which are relatively small, the country management is accountable for all businesses.

Operating expenses are attributed or allocated to classes of business on an appropriate basis. Group central expenses, the benefit of the Group's capital and assets held at the centre have been distributed between segments in proportion to their risk weighted assets.

2 Dealing profits and exchange

	6 months ended 30.6.95 £ million	6 months ended 30.6.94 £ million	6 months ended 31.12.94 £ million
Income from foreign exchange dealing	97	80	76
Profits less losses on dealing securities	2	8	20
Other dealing profits and exchange	10	5	19
	<u>109</u>	<u>93</u>	<u>115</u>

3 Other operating income

	6 months ended 30.6.95 £ million	6 months ended 30.6.94 £ million	6 months ended 31.12.94 £ million
Other operating income includes:			
Share of profits arising on securitised instalment credit agreements	12	16	13
Profits less losses on disposal of investment securities	5	13	1
Dividend income	1	—	1
	<u>1</u>	<u>—</u>	<u>1</u>

4 Taxation

The charge for taxation amounts to:

	6 months ended 30.6.95 £ million	6 months ended 30.6.94 £ million	6 months ended 31.12.94 £ million
Company and subsidiaries	100	84	88
Associated undertakings	<u>1</u>	<u>1</u>	<u>1</u>
Total tax charge	<u>101</u>	<u>85</u>	<u>89</u>

The tax charge for the six months ended 30 June 1995 includes ACT written off of £8 million (30 June 1994: £5 million; 31 December 1994: £11 million).

5 Dividends on preference shares

	6 months ended 30.6.95 £ million	6 months ended 30.6.94 £ million	6 months ended 31.12.94 £ million
Dividend	<u>4</u>	<u>4</u>	<u>3</u>

6 Dividends on ordinary shares

	6 months ended 30.6.95		6 months ended 30.6.94		6 months ended 31.12.94	
	pence per share	£ million	pence per share	£ million	pence per share	£ million
Dividend	<u>3.25p</u>	<u>31</u>	<u>2.25p</u>	<u>22</u>	<u>5.75p</u>	<u>55</u>

The 1995 interim dividend of 3.25 pence per share will be paid on 19 October 1995 to shareholders on the register at close of business on 30 August 1995.

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 September 1995.

7 Earnings per ordinary share

	6 months ended 30.6.95		6 months ended 30.6.94		6 months ended 31.12.94	
	pence per share	£ million	pence per share	£ million	pence per share	£ million
Net basis – profit after taxation, minority interests and preference dividends	<u>21.6p</u>	<u>208</u>	<u>14.7p</u>	<u>141</u>	<u>18.0p</u>	<u>174</u>
Nil distribution basis – profit after taxation, minority interests and preference dividends but before charge for ACT	<u>22.4p</u>	<u>216</u>	<u>15.2p</u>	<u>146</u>	<u>19.2p</u>	<u>185</u>
	million		million		million	
Weighted average number of ordinary shares in issue	<u>965</u>		<u>961</u>		<u>963</u>	

Headline earnings per ordinary share

The Institute for Investment Management and Research (IIMR) has devised a "headline earnings" formula which represents a broad consensus of the "single number" that should be used in the press for reporting UK companies' "earnings" and for earnings per share calculations. As this does not comply with SSAP 3 (as amended by FRS 3), the table below provides a reconciliation.

	6 months ended 30.6.95 £ million	6 months ended 30.6.94 £ million	6 months ended 31.12.94 £ million
Profit after taxation, minority interests and preference dividends	208	141	174
Profits less losses on disposal or termination of businesses	(10)	(8)	4
Amounts written off fixed asset investments	—	—	1
Profits less losses on disposal of investment securities	(5)	(13)	(1)
Tax charge relating to above items	—	—	2
Headline earnings	<u>193</u>	<u>120</u>	<u>180</u>
Headline earnings per ordinary share	<u>20.0p</u>	<u>12.5p</u>	<u>18.7p</u>

8 Called up share capital

	30.6.95 £ million	30.6.94 £ million	31.12.94 £ million
Equity capital			
Ordinary shares of 25p each	242	240	241
Non-equity capital			
Non-cumulative irredeemable 7 ³ / ₈ % preference shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>
	<u>342</u>	<u>340</u>	<u>341</u>

9 Shareholders' funds

	Share capital £ million	Share premium account £ million	Premises revaluation reserve £ million	Profit and loss account £ million	Total shareholders' funds £ million
At 1 January 1995	341	364	65	760	1,530
Exchange translation differences	—	—	—	(3)	(3)
Shares issued	1	2	—	2	5
Realised on disposal of premises	—	—	(1)	1	—
Retained profit	—	—	—	177	177
At 30 June 1995	<u>342</u>	<u>366</u>	<u>64</u>	<u>937</u>	<u>1,709</u>

10 Provisions for bad and doubtful debts

Loans and advances are stated after deducting the following provisions for bad and doubtful debts:

	6 months ended 30.6.95		6 months ended 30.6.94		6 months ended 31.12.94	
	Specific £ million	General £ million	Specific £ million	General £ million	Specific £ million	General £ million
Provisions against loans and advances other than problem country debt						
Provisions held at beginning of period	456	104	605	107	632	105
Exchange translation differences	(9)	(1)	(20)	(2)	(4)	(1)
Provisions applied	(29)	—	(31)	—	(236)	—
Recoveries of amounts previously written off	8	—	7	—	8	—
Other	—	—	2	—	3	—
New provisions	53	—	86	—	75	—
Recoveries/provisions no longer required	(23)	—	(17)	—	(22)	—
Net charge against profit	<u>30</u>	<u>—</u>	<u>69</u>	<u>—</u>	<u>53</u>	<u>—</u>
Provisions held at period end	<u>456</u>	<u>103</u>	<u>632</u>	<u>105</u>	<u>456</u>	<u>104</u>
Provisions against problem country debt						
Provisions held at beginning of period	322	—	430	—	368	—
Exchange translation differences	(3)	—	(10)	—	(3)	—
Provisions applied	(34)	—	(55)	—	(59)	—
Other	—	—	3	—	16	—
Provisions held at period end	<u>285</u>	<u>—</u>	<u>368</u>	<u>—</u>	<u>322</u>	<u>—</u>
Total provisions held at period end against:						
Loans and advances to banks	261	—	288	—	268	—
Loans and advances to customers	<u>480</u>	<u>103</u>	<u>712</u>	<u>105</u>	<u>510</u>	<u>104</u>
	<u>741</u>	<u>103</u>	<u>1,000</u>	<u>105</u>	<u>778</u>	<u>104</u>
Total specific and general provisions	<u>844</u>		<u>1,105</u>		<u>882</u>	

Developments in India in the first half have been encouraging and there have been further recoveries. However, the situation is inevitably complex and it will be some years before the recovery programme is completed and existing, or any further, claims and counterclaims are resolved.

11 Non-performing loans and advances

	30.6.95			31.12.94		
	Problem country debt	Other	Total	Problem country debt	Other	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Loans and advances on which interest is suspended	499	1,079	1,578	612	1,199	1,811
Specific provisions for bad and doubtful debts	(285)	(456)	(741)	(322)	(456)	(778)
Interest in suspense	(49)	(183)	(232)	(94)	(174)	(268)
	<u>165</u>	<u>440</u>	<u>605</u>	<u>196</u>	<u>569</u>	<u>765</u>

At 30 June 1995, non-performing lending (net of provisions and excluding problem country debt) of £440 million was 2.4% of total lending (excluding problem country debt). Specific provisions and interest in suspense together cover 59% of total non-performing lending (excluding problem country debt). If lending and provisions are adjusted for the cumulative amounts written off, the effective cover is 76%.

12 Problem country exposure

The Group's provisionable exposure to countries experiencing external liquidity problems excludes amounts externally secured or advanced on a voluntary short term basis.

At 30 June 1995, the Group's problem country exposure comprised £97 million (31 December 1994: £179 million) in respect of lesser developed countries and £369 million (31 December 1994: £356 million) enhanced debt.

Provisions of 88% (31 December 1994: 83%) were held against the exposure to lesser developed countries and 58% (31 December 1994: 53%) against the enhanced debt portfolio.

13 Net interest margin and interest spread

	6 months ended 30.6.95 %	6 months ended 30.6.94 %	6 months ended 31.12.94 %
	(annualised)	(annualised)	(annualised)
Net interest margin	<u>3.3</u>	<u>3.3</u>	<u>3.3</u>
Interest spread	<u>2.5</u>	<u>2.7</u>	<u>2.7</u>
	£ million	£ million	£ million
Average interest earning assets	<u>31,728</u>	<u>29,320</u>	<u>30,540</u>
Average interest bearing liabilities	<u>27,388</u>	<u>25,343</u>	<u>26,901</u>

14 Capital ratios

	30.6.95	30.6.94	31.12.94
	£ million	£ million	£ million
Tier 1 capital	1,681	1,380	1,499
Tier 2 capital	1,322	1,380	1,358
	<hr/>	<hr/>	<hr/>
	3,003	2,760	2,857
Less supervisory adjustments	(34)	(29)	(31)
	<hr/>	<hr/>	<hr/>
Adjusted capital base	2,969	2,731	2,826
	<hr/>	<hr/>	<hr/>
Risk weighted assets	18,491	15,880	16,418
Risk weighted contingents	4,650	3,866	3,500
	<hr/>	<hr/>	<hr/>
Total risk weighted assets and contingents	23,141	19,746	19,918
	<hr/>	<hr/>	<hr/>
	%	%	%
Capital ratios			
Tier 1 capital	7.3	7.0	7.5
	<hr/>	<hr/>	<hr/>
Total capital	12.8	13.8	14.2
	<hr/>	<hr/>	<hr/>

15 Accounting policies

Accounting policies are unchanged from those set out in the 1994 Annual Report and Accounts.

Review report by KPMG to Standard Chartered PLC

We have reviewed the interim financial information for the six months ended 30 June 1995 set out on pages 5 to 18 which is the responsibility of, and has been approved by, the directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin *Review of Interim Financial Information*, issued by the Auditing Practices Board. This review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of Group management responsible for financial and accounting matters. The review was substantially less in scope than an audit performed in accordance with Auditing Standards and accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review:

- in our opinion the interim financial information has been prepared using accounting policies consistent with those adopted by Standard Chartered PLC in its financial statements for the year ended 31 December 1994; and
- we are not aware of any material modifications that should be made to the interim financial information as presented.

KPMG

London

Chartered Accountants

9 August 1995

The financial information included herein for the 12 months ended 31 December 1994 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 9 August 1995. The pages referred to are reproduced on pages 8 to 22 of this document.

PART II — DESCRIPTION OF THE PREFERENCE SHARES

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 6 December 1995 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*, with the Existing Preference Shares 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, but *pari passu* with the holders of the Existing Preference Shares, a non-cumulative preferential dividend at a rate of 8 $\frac{1}{4}$ per cent. per annum exclusive of any applicable tax credit which will be payable in equal half-yearly instalments in arrears on 1 April and 1 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 14 December 1995 up to but excluding 1 April 1996. 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, *pari passu* with the holders of the Existing Preference 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 relevant provisions of the Finance Act 1994 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

The Royal Bank of Scotland plc, P.O. Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR, Scotland will act as registrar and paying agent for the Preference Shares.

PART III — FINANCIAL INFORMATION ON STANDARD CHARTERED

The following is extracted without material adjustment from the Company's Annual Report and Accounts in respect of the financial years ended 31 December 1994, 1993†† and 1992.††

In the 1993 financial statements certain details were not given for 1992 as these figures were not required by disclosure regulations at that time. Where relevant, this has been indicated by a □ symbol.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the years ended 31 December 1994, 1993 and 1992

		1994	1993	1992
	Notes	£ million	£ million	Restated† £ million
Interest receivable	1	2,200	2,171	2,069
Interest payable	2	(1,213)	(1,209)	(1,318)
Net interest income		987	962	751
Fees and commissions receivable		454	436	305
Fees and commissions payable		(58)	(46)	(33)
Dealing profits and exchange	3	208	236	159
Other operating income	4	65	84	46
		669	710	477
Net revenue		1,656	1,672	1,228
Administrative expenses:				
Staff	5	(556)	(557)	(418)
Premises and equipment	5	(167)	(182)	(141)
Other	5	(239)	(240)	(175)
Depreciation and amortisation	6	(67)	(80)	(57)
Total operating expenses		(1,029)	(1,059)	(791)
Profit before charge for debts		627	613	437
Charge for bad and doubtful debts	18	(122)	(233)	(364)
Charge for contingent liabilities and commitments	33	(5)	—	—
Amounts written off fixed asset investments		(1)	(22)	—
Trading profit		499	358	73
Share of results of associated undertakings		7	13	20
Profit before exceptional items		506	371	93
Exceptional profits on disposal of premises		—	23	96
Exceptional profits less losses on disposal or termination of businesses		4	7	—
Profit before taxation		510	401	189
Taxation	9	(174)	(157)	(123)
Profit after taxation		336	244	66
Minority interests		(14)	(15)	(8)
Profit attributable to shareholders		322	229	58
Dividends on non-equity preference shares	10	(7)	—	—
Dividends on ordinary equity shares	11	(77)	(58)	(47)
Amount retained	36	238	171	11
Earnings per ordinary share	12	32.7p	24.1p††	6.2p††

† See "Principal Accounting Policies", "Restatement of comparative amounts".

†† Adjusted, where relevant, to reflect the subdivision of the £1 ordinary shares into 4 ordinary shares of 25p each (see note 12, p.46).

CONSOLIDATED BALANCE SHEETS

31 December 1994, 1993 and 1992

		1994	1993	1992
	Notes	£ million	£ million	Restated†
Assets				£ million
Cash and balances at central banks		369	379	523
Cheques in course of collection		57	42	47
Treasury bills and other eligible bills	13	2,200	1,295	666
Loans and advances to banks	14	8,709	7,163	4,969
Securitised loans and advances to customers	15	585	549	
Less: non-returnable proceeds	15	(585)	(549)	
Other loans and advances to customers	16	16,844	16,871	
Total loans and advances to customers		16,844	16,871	16,801
Debt securities	21	1,990	2,046	1,937
Equity shares	22	68	58	90
Interests in associated undertakings	23	18	33	29
Tangible fixed assets	25	320	336	355
Other assets	27	3,354	3,385	3,655
Prepayments and accrued income		285	275	357
Total assets		34,214	31,883	29,429
Liabilities				
Deposits by banks	28	5,099	3,870	4,057
Customer accounts	29	20,949	20,495	18,142
Debt securities in issue	30	812	524	491
Other liabilities	31	3,875	3,752	3,864
Accruals and deferred income		489	423	376
Provisions for liabilities and charges:				
Deferred taxation	32	9	3	3
Other provisions for liabilities and charges	33	59	65	63
Subordinated liabilities:				
Undated loan capital	34	982	1,028	1,007
Dated loan capital	34	376	385	386
Minority interests		34	41	36
Called up share capital	35	341	340	237
Share premium account	36	364	362	351
Premises revaluation reserve	36	65	69	68
Profit and loss account	36	760	526	348
Shareholders' funds (including non-equity interests)		1,530	1,297	1,004
Total liabilities and shareholders' funds		34,214	31,883	29,429
Memorandum items				
Contingent liabilities:				
Acceptances and endorsements	45	574	599	636
Guarantees and irrevocable letters of credit	45	2,926	2,987	3,772
Other contingent liabilities	45	361	369	332
		3,861	3,955	4,740
Commitments	45	9,347	9,889	9,359

† See "Principal Accounting Policies", "Restatement of comparative amounts".

CONSOLIDATED STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

For the years ended 31 December 1994, 1993 and 1992

	1994	1993	1992
	£ million	£ million	Restated†
Profit attributable to shareholders	322	229	58
Exchange translation differences	(5)	(15)	13
Unrealised surplus on revaluation of premises	—	26	—
Total recognised gains and losses	317	240	71

NOTES OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

For the years ended 31 December 1994, 1993 and 1992

	1994	1993	1992
	£ million	£ million	Restated†
Reported profit before taxation	510	401	189
Realisation of premises revaluation gains of previous years	2	24	62
Historical cost profit before taxation	512	425	251
Historical cost profit for the year retained			
after taxation, minority interests and dividends	240	195	73

† See "Principal Accounting Policies", "Restatement of comparative amounts".

CONSOLIDATED CASH FLOW STATEMENTS

For the years ended 31 December 1994, 1993 and 1992

		1994	1993	1992
	Notes	£ million	£ million	Restated† £ million
Net cash inflow/(outflow) from operating activities	38(a)	<u>788</u>	<u>925</u>	<u>(317)</u>
Returns on investments and servicing of finance				
Dividends received from associated undertakings		4	6	11
Interest paid on subordinated loan capital		(68)	(65)	(88)
Dividends paid to minority shareholders of subsidiary undertakings		(8)	(7)	(5)
Dividends paid to members of the Company		<u>(67)</u>	<u>(46)</u>	<u>(39)</u>
Net cash outflows from returns on investments and servicing of finance		<u>(139)</u>	<u>(112)</u>	<u>(121)</u>
Taxation				
UK taxes paid		(7)	(12)	(14)
Overseas taxes paid		<u>(133)</u>	<u>(113)</u>	<u>(97)</u>
Total taxes paid		<u>(140)</u>	<u>(125)</u>	<u>(111)</u>
Investing activities				
Acquisitions of businesses	38(f)	(17)	(118)	(15)
Purchases of tangible fixed assets		(78)	(72)	(91)
Acquisitions of treasury bills held for investment purposes		(4,370)	(1,960)	□
Acquisitions of debt securities held for investment purposes		(699)	(870)	(1,431)
Acquisitions of associated undertakings and equity shares		(22)	(13)	(13)
Disposals of associated undertakings and equity shares		29	10	40
Disposals of subsidiary undertaking and businesses	38(f)	9	4	1
Disposals of tangible fixed assets		11	65	206
Disposals and maturities of treasury bills held for investment purposes		3,333	1,599	□
Disposals and maturities of debt securities held for investment purposes		<u>788</u>	<u>1,171</u>	<u>1,257</u>
Net cash outflow from investing activities		<u>(1,016)</u>	<u>(184)</u>	<u>(46)</u>
Net cash inflow/(outflow) before financing		<u>(507)</u>	<u>504</u>	<u>(595)</u>
Financing				
Proceeds from issue of share capital, net of expenses	38(d)	3	114	—
Repayments of subordinated loan capital	38(d)	<u>(10)</u>	<u>(5)</u>	<u>(20)</u>
Net cash inflow/(outflow) from financing		<u>(7)</u>	<u>109</u>	<u>(20)</u>
Increase/(decrease) in cash and cash equivalents	38(b)	<u>(514)</u>	<u>613</u>	<u>(615)</u>

† See "Principal Accounting Policies", "Restatement of comparative amounts".

COMPANY BALANCE SHEETS

31 December 1994, 1993 and 1992

	Notes	1994 £ million	1993 £ million	1992 £ million
Fixed assets				
Investments in subsidiary undertakings	24	2,560	2,447	2,170
Current assets				
Amounts owed by subsidiary undertakings		243	152	86
Creditors: amounts due within one year				
Proposed dividend		55	40	31
Amounts owed to subsidiary undertakings		13	—	12
Other creditors, including taxation		23	31	4
Accrued interest		18	13	13
		109	84	60
Net current assets		134	68	26
Total assets less current liabilities		2,694	2,515	2,196
Creditors: amounts due after more than one year				
Dated subordinated loan capital	34	156	161	161
Undated subordinated loan capital	34	982	1,028	1,007
Provisions for liabilities and charges				
Deferred taxation	32	26	29	24
		1,530	1,297	1,004
Capital and reserves				
Called up share capital	35	341	340	237
Share premium account	37	364	362	351
Revaluation reserve	37	277	113	(94)
Profit and loss account	37	548	482	510
		1,530	1,297	1,004

PRINCIPAL ACCOUNTING POLICIES

Accounting convention

The accounts of the Company and of the Group have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets and dealing positions.

Group accounts

The consolidated accounts of the Group comprise the accounts of the Company and its subsidiary undertakings for the year ended 31 December (with the undermentioned exception) and are drawn up in accordance with Part VII Chapter II of the Companies Act 1985 (the Act), applicable Accounting Standards and British Bankers' Association's Statements of Recommended Practice. For local regulatory reasons, the accounts of Standard Chartered Bank of Canada are drawn up to 31 October.

The Group's share of the results of associated undertakings is based principally on unaudited management accounts.

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 to the profit and loss account in the year of disposal.

Company Accounts

The Company accounts are drawn up in accordance with Section 228 of, and Schedule 4 to, the Act and applicable Accounting Standards. As permitted by Section 230 of the Act, the Company's profit and loss account has not been included in these financial statements.

Associated undertakings

The Group's share of the results of associated undertakings is included in the profit and loss account. Investments in associated undertakings are carried in the balance sheet at amounts equal to the Group's share of net tangible assets.

Bad and doubtful debts

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

Provisions against loans and advances are based on an appraisal of the loan portfolio. Specific provisions are made where the repayment of identified loans is in doubt and reflect an estimate of the amount of loss expected. The general provision relates to the inherent risk of loss 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 judgements about conditions in particular locations or business sectors.

Provisions are made against cross border exposures where it is judged that a country is 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, in part or in whole, when they are considered wholly or partly irrecoverable.

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability; thereafter, and until all or part of the loan is written off, interest continues to accrue on customers' accounts, but is not included in income. Such suspended interest is deducted from loans and advances.

Debt securities, equity shares and treasury bills

Securities, including equity shares and treasury bills, which are intended for use on a continuing basis in the Group's activities are classified as investment securities. They include portfolios of

securities held in countries where the Group is required to maintain a stock of liquid assets. Investment securities are stated at cost less any amounts written off to reflect permanent diminution in value. The cost of dated investment securities is adjusted to reflect the amortisation or accretion of premiums and discounts on acquisition on a straight-line basis over the residual period to maturity. The amortisation and accretion of premiums and discounts are included in interest income.

Securities other than investment securities are classified as dealing securities and are held at market value. Where the market value of such securities is higher than cost, the original cost is not disclosed as it cannot be determined without unreasonable expense.

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.

Equipment leased to customers and instalment credit agreements

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 receivable less unearned 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 other than finance leases are classified as operating leases. Operating leases are included in loans and advances 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. The profits arising from operating leases are recognised in the profit and loss account on a straight line basis over the duration of each lease.

Income arising from the residual interest in instalment credit agreements which have been sold is credited to the 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.

Foreign currencies

Assets and liabilities in foreign currencies, other than those in areas experiencing hyper-inflation, are expressed in sterling terms at rates of exchange ruling on the balance sheet date. Profits and losses earned in foreign currencies are expressed in sterling terms at the average exchange rate of each currency against sterling during the year. Translation differences arising from positions taken to hedge such profits and losses are included in the profit and loss account.

Translation differences arising from the application of closing rates of exchange to opening net assets denominated in foreign currencies and from related foreign currency balances are taken directly to reserves.

Exchange losses arising on the translation of opening net monetary assets and results of operations in areas experiencing hyper-inflation are included in the profit and loss account. Non-monetary assets in these areas are not retranslated.

All other exchange differences arising from normal trading activities, and on branch profit and dividend remittances to the United Kingdom, are included in the profit and loss account.

Investments in subsidiary undertakings

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

Off-balance sheet financial instruments

Off-balance sheet financial instruments are valued with reference to market prices and the resultant profit or loss is included in the profit and loss account, except where the position in the instrument has been designated as a hedge when the resultant profit or loss is dealt with in accordance with the accounting treatment applied to the position hedged.

Retirement benefits

The Group operates some 60 retirement benefit schemes throughout the world. Arrangements for retirement benefits for members of staff are made in a variety of 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 pension costs relating to these schemes are assessed in accordance with the advice of qualified actuaries. 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.

The cost of providing pensions and other post-retirement benefits for employees is charged to the profit and loss account over their expected working lives.

Swaps and sales of assets

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

Assets held for sale are carried at the lower of cost or net realisable value. Profits and losses on sales of assets are calculated by reference to their net carrying amount, whether at historical cost (less any provisions made) or at a valuation, at the time of disposal.

Tangible fixed assets

Freehold and long leasehold premises (premises with unexpired lease terms of 50 years or more) are included in the accounts at their historical cost or at the amount of any subsequent valuation. Leasehold premises with no long term premium are not revalued.

Land is not depreciated. It is the Group's policy to maintain freehold and long leasehold premises in a good state of repair and it is considered that the residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are such that any depreciation is not significant. Accordingly, no depreciation has been charged on such premises. Where there is a permanent diminution in the value of premises, the loss is first charged against any previous revaluation surplus arising on those premises and then, to the extent that their value is below original cost, charged to the profit and loss account.

Short leasehold premises are amortised over the remaining term of each lease 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, which is 6 years on a weighted average basis.

Financial Reporting Standard 5 and comparative amounts

Following the adoption of Financial Reporting Standard 5 – *Reporting the Substance of Transactions (FRS5)* – loans and advances securitised by the Group have been disclosed using a linked presentation for 1993 and 1994. There is no impact on the reported total assets or profits for 1993 or 1994.

Restatement of comparative amounts

The comparative amounts shown for 1992 have been restated for the following change in accounting policy and modifications to accounting treatments:

- (1) In previous years, results in foreign currencies were expressed in sterling at rates of exchange set by reference to: rates on conversion for amounts remitted to the UK; contracted forward rates for unremitted amounts sold forward; year end rates for other amounts. This policy has been changed and the results are now expressed in sterling with reference to average rates of exchange.

This change has been made to make it easier to compare performance from one period to the next. It has no effect on shareholders' funds in aggregate.

The effect of the change has been to decrease 1993 profit after taxation by £2 million and to decrease profit attributable to ordinary shareholders of the Company by £1 million. Comparative amounts for both items have been decreased by £5 million. Other items in the profit and loss account are similarly affected.

- (2) Following clarification issued by the Urgent Issues Task Force on accounting for operations in hyper-inflationary economies, 1993 losses of £13 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 and included in "Dealing profits and exchange". In previous years such losses would have been charged directly to reserves. Comparative amounts have been restated, and "Dealings profits and exchange" have been reduced by £6 million, matched by a reduction in the exchange loss dealt with in reserves.
- (3) 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 to set-off exists when only a net amount will be shown. In previous years these amounts have been offset and a net amount included in the balance sheet. This modification to the accounting treatment has resulted in an increase in total assets at 31 December 1993 of £1.1 billion (included in "Other assets") with a corresponding increase in total liabilities. Comparative amounts have been restated, with total assets and liabilities increasing by £2.1 billion.

NOTES TO THE ACCOUNTS

1 Interest receivable

	1994	1993	1992
	£ million	£ million	£ million
Balances at central banks	3	10	6
Treasury bills and other eligible bills	103	64	42
Loans and advances to banks	441	406	437
Loans and advances to customers	1,508	1,497	1,455
Listed debt securities	78	107	88
Unlisted debt securities	67	87	41
	<u>2,200</u>	<u>2,171</u>	<u>2,069</u>

2 Interest payable

	1994	1993	1992
	£ million	£ million	£ million
Deposits by banks	338	355	352
Customer accounts:			
Current and demand accounts	133	94	132
Savings deposits	79	70	64
Time deposits	538	573	648
Debt securities in issue	41	40	34
Subordinated loan capital:			
Wholly repayable within 5 years	22	23	23
Other	62	54	65
	<u>1,213</u>	<u>1,209</u>	<u>1,318</u>

3 Dealing profits and exchange

	1994	1993	1992
	£ million	£ million	£ million
Income from foreign exchange dealing	156	163	134
Profits less losses on dealing securities	28	50	(2)
Other dealing profits and exchange	24	23	27
	<u>208</u>	<u>236</u>	<u>159</u>

4 Other operating income

	1994	1993	1992
	£ million	£ million	£ million
Other operating income includes:			
Share of profits arising on securitised loans and advances (note 15)	29	26	19
Profit less losses on disposal of investment securities	14	21	3
Dividend income	1	20	2
	<u>44</u>	<u>47</u>	<u>24</u>

5 Administrative expenses

	1994	1993	1992
	£ million	£ million	£ million
Staff costs:			
Wages and salaries	422	433	324
Social security costs	17	18	10
Other pension costs	36	36	20
Other staff costs	81	70	64
	<u>556</u>	<u>557</u>	<u>418</u>
Premises and equipment expenses:			
Rental of premises	105	114	90
Other premises and equipment costs	51	56	41
Rental of computers and equipment	11	12	10
	<u>167</u>	<u>182</u>	<u>141</u>
Other expenses	<u>239</u>	<u>240</u>	<u>175</u>
Total administrative expenses	<u>962</u>	<u>979</u>	<u>734</u>

Other expenses includes £2.5 million (1993: £2.5 million, 1992: £2.7 million) in respect of auditors' remuneration. The auditors of the Company, KPMG and their associated firms, also received £0.8 million (1993: £0.5 million, 1992: £0.5 million) in respect of non-audit services provided to the Group's UK subsidiaries.

6 Depreciation and amortisation

	1994	1993	1992
	£ million	£ million	£ million
Premises	14	24	12
Equipment	53	56	45
	<u>67</u>	<u>80</u>	<u>57</u>

7 Retirement benefits

The total charge for Group retirement benefits was £36 million (1993: £37 million, 1992: £20 million), of which £32 million (1993: £29 million, 1992: £16 million) was for defined benefit schemes, £4 million (1993: £7 million, 1992: £4 million) was for defined contribution schemes and nil (1993: £1 million, 1992: nil) was for post-retirement benefits other than pensions.

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 at 31 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% in excess of salary increases and 5.5% in excess of pension increases.

At 31 December 1992, the market value of the assets of the Fund was £396 million and the actuarial value of the assets was sufficient to cover 101% of the benefits that had accrued to members. In 1994, contributions of £10 million (1993: £6 million, 1992: £2 million) were made to the Fund, and the pension cost charge in these accounts attributable to the Fund was £10 million (1993: £4 million, 1992: £3 million). In respect of other UK schemes, there were pension cost charges of £4 million and pension cost credits of £2 million resulting in an overall pension cost charge of £2 million (1993: £1 million, 1992: nil).

The element of the Group pension cost relating to foreign schemes was £24 million (1993: £31 million, 1992: £17 million), of which £20 million (1993: £24 million, 1992: £13 million) was for defined benefit schemes, and £4 million (1993: £7 million, 1992: £4 million) was for defined contribution schemes; these charges have been determined in accordance with local practice and regulations.

Provisions totalling £35 million (1993: £29 million, 1992: £23 million) are included in provisions for liabilities and charges (note 33), representing the difference between the amounts paid to the Fund and the accumulated regular charges for pension costs, together with £1 million (1993: £1 million, 1992: nil) representing provisions for post-retirement benefits other than pensions.

8 Directors and staff

1 Directors' emoluments

a Policy

The Board Remuneration Committee ("the Committee") determines the remuneration of the Chairman, the executive directors and senior executives. The members of the Committee are all non-executive directors and the Chairman is Mr AWP Stenham.

The policies of the Committee are:

- to ensure that individual rewards and incentives relate directly to the performance of the individual, his unit and the Group as a whole, and the interests of the shareholders
- to maintain competitive awards that reflect the international nature of the Group (80 per cent. of the Group's pre-tax profits come from operations outside the UK) and enable it to attract executives of the highest quality.

b Remuneration structure

The typical remuneration arrangements for the Group's senior executives include base salary and benefits, opportunity for annual variable compensation awards that are split between a cash element and restricted shares, share options, post-retirement benefits and service contracts.

- (i) Base salaries and benefits — these are market based and reviewed annually by the Committee.
- (ii) The annual variable compensation award is in two parts, a cash sum payable on award and restricted shares which are first available to the executives between three and five years after award. The maximum of this variable award is 150 per cent. of base salary. The criteria applied by the Committee to determine awards for 1994 included individual performance targets, profits before tax, earnings per share, control of costs, control of debt charges, and improving the management of the organisation.
- (iii) Share options — these are granted up to four times basic salary in total but under the present scheme at a maximum rate of 1.5 times salary in any year. Performance criteria for the exercise of awards under the current scheme have been agreed with the ABI and NAPF.
- (iv) Post retirement benefits — all the executive directors except the Chairman receive these under a wide variety of arrangements depending on individuals' service with the Group and arrangements with previous employers or external pension providers.
- (v) Service contracts — the Chairman and all the executive directors have contracts where the notice period varies between three and two years and which are renewed automatically unless cancelled by the Group. Arrangements are in hand to alter these so that the maximum notice period by the Group is two years.

c Directors' remuneration — totals

Aggregate emoluments of the directors of the Company were as follows:

	1994	1993	1992
	£000	£000	£000
Salaries and benefits	1,774	1,947	□
Cash bonuses – current year	1,400	963	□
– prior year	—	200	□
Pension contributions – current year	412	349	□
– prior year	40	—	□
Fees to non-executive directors	261	269	□
	<u>3,887</u>	<u>3,728</u>	<u>2,228</u>

d Remuneration of the current Chairman and executive directors (excluding pension contributions and the restricted share element of the new bonus plan in 2c below)

	1994			1993	1992
	Salary	Cash bonus	Taxable benefits	Total	Total
	£000	£000	£000	£000	£000
PJ Gillam	270	236	1	507	328
GM Williamson	336	282	7	625	483
The Hon DP Brougham	210	154	13	377	253
CNA Castleman	220	123	2	345	405
J McFarlane	250	210	—	460	232
DG Moir	207	185	—	392	344
PA Wood	250	210	8	468	328

The emoluments of the Chairman, Mr PJ Gillam, and highest paid director, Mr GM Williamson are shown above.

The Group does not make any pension contributions on behalf of Mr CNA Castleman. Instead, he receives an additional cash amount of £68,215 (1993: £61,000, 1992:) which has been disclosed in the aggregate pensions in paragraph c above. Mr CNA Castleman has separate arrangements with external pension providers.

The former Chairman, Mr RD Galpin, resigned on 6 May 1993. During 1993, he received £132,000 plus pension contributions of £32,000. Also, during 1993, Mr AD Orsich and Mr RJB Stein ceased to be directors. Their emoluments amounted to £419,000 and £182,000 respectively.

e Pensions

The aggregate pension contributions made on behalf of executive directors were £384,000 of which £40,000 related to 1993 (1993: £288,000, 1992: £189,000).

The pension contributions on behalf of the Chairman and the highest paid director, Mr GM Williamson, were £7,071 (1993: nil, 1992†) and £52,080 (1993: £45,803, 1992†), respectively.

† In 1992, the pension contributions on behalf of the then Chairman who was also the highest paid director were £97,000.

f Emoluments of non-executive directors

	1994	1993	1992
	£000	£000	£000
(1,2)The Rt Hon Lord Stewartby	66	53	<input type="text"/>
RIJ Agnew	29	21	<input type="text"/>
RC Chan	16	—	<input type="text"/>
(1,2)KAV Mackrell	43	28	<input type="text"/>
(1,2)Sir Ralph Robins	35	28	<input type="text"/>
(1)AWP Stenham	32	23	<input type="text"/>
*RAM Baillie	12	34	<input type="text"/>
*WCL Brown	10	28	<input type="text"/>
*JE Craig	12	36	<input type="text"/>
*GG Williams	6	16	<input type="text"/>

(1)Member of the Board Remuneration Committee

(2)Member of the Audit and Risk Committee

*Retired during the year

With effect from 1 April 1994, basic annual fees are £25,000. The Deputy Chairman, Lord Stewartby, receives an annual fee of £75,000, inclusive of board committee fees. Ordinary membership of board committees carries an annual fee of £6,000. The Chairman of the Board Remuneration Committee receives an annual fee of £10,000.

Mr RIJ Agnew and Mr KAV Mackrell have consultancy arrangements with the Group under which they received £6,000 and £9,600 respectively in 1994 which is included in the total figure shown above.

g Former directors

Pensions paid to former directors or their dependants amounted to £148,650 (1993: £167,428, 1992: £74,194). There were no other payments to former directors (1993: £851,939, 1992: nil).

2 Directors' interests

a Ordinary shares

The Directors' beneficial interests in the ordinary shares of the Company were as follows:

	At 31 December 1994	At 1 January 1994*
PJ Gillam	3,248	3,248
The Rt Hon Lord Stewartby	2,191	2,144
GM Williamson	96,471	4,368
RIJ Agnew	3,000	3,000
The Hon DP Brougham	2,046	2,000
CNA Castleman	2,000	2,000
RC Chan	2,000	2,000
KAV Mackrell	4,298	4,260
J McFarlane	174,162	2,000
DG Moir	4,120	4,028
Sir Ralph Robins	3,349	3,272
AWP Stenham	2,046	2,000
PA Wood	2,000	2,000

*or date of appointment, if later

b Share options

	Options 1 January 1994	Granted during year	Exercised during year	Options 31 December 1994	Weighted average exercise price (pence)
PJ Gillam	474,400	—	—	474,400	194
GM Williamson	330,256	103,296	92,000	341,552	197
The Hon DP Brougham	472,416	40,664	—	513,080	144
CNA Castleman	583,238	42,396	—	625,634	143
J McFarlane	402,582	—	—	402,582	253
DG Moir	189,200	66,828	—	256,028	178
PA Wood	514,582	—	—	514,582	198

The number of shares under option and the exercise prices have been restated to reflect the subdivision of each £1 ordinary share into four ordinary shares of 25p each.

The middle market price of an ordinary share at the close of business on 30 December 1994 was 280p and the range during 1994 was 229p to 358p. The market price was 262p when Mr GM Williamson exercised his option over 92,000 shares at a price of 90p per share. He has retained the shares.

On 11 March 1994, directors were granted options to purchase a total of 253,184 shares under the Executive Share Option Scheme at an exercise price of 281p per share. All other options are at

exercise prices below the market price of 280p at 30 December 1994. No options were granted to directors under the Savings Related Share Option Scheme. No options lapsed during the year.

Under the Executive Share Option Scheme, options are exercisable at any time on or after the third, but not later than the tenth, anniversary of the date on which the option was granted. Options held under the Savings Related Share Option Scheme are exercisable within a period of six months from the fifth anniversary of the date of grant.

According to the register maintained under Section 325 of the Companies Act 1985 no director had an interest in the Company's preference shares or in shares or debentures of any subsidiary undertaking of the Group.

c Restricted shares plan

The Group has introduced a new bonus plan (replacing the existing bonus plan) for which executive directors and senior executives are eligible which governs bonuses paid in 1995 in respect of performance in 1994. Under the terms of the plan, any amount of bonus payable which is over 40% of salary is payable half in cash and half in shares. Awards under the plan are determined by the Board Remuneration Committee based on individual achievement against performance criteria and the Group attaining certain financial targets – the criteria for 1994 are set out in paragraph 1b(ii) of this note.

Awards of shares are restricted and are vested in the individual after a minimum period of between three to five years after award (subject to earlier vesting in certain limited circumstances such as redundancy) provided the individual is still employed by the Group. The advantage of this arrangement for the Group is that it brings the interests of the senior executives much more closely into line with that of shareholders. It also generates a long term commitment from key executives to the Group. Shares awarded between now and 1997 will not be available to beneficiaries until after Hong Kong becomes part of China in 1997.

The numbers of shares awarded to each executive director under the plan in respect of performance in 1994 were as follows:

Director	Number of shares	Period available for release
PJ Gillam	35,156	1998 - 2002
GM Williamson	42,000	1998 - 2002
The Hon DP Brougham	22,916	1998 - 2002
CNA Castleman	18,333	1998 - 2002
J McFarlane	31,250	1998 - 2002
DG Moir	27,500	1998 - 2002
PA Wood	31,250	1998 - 2002

The cost of the restricted shares plan is charged against profit. In 1994, these costs in respect of directors amounted to £600,210. Payment is made to a Share Ownership Trust ("the Trust") which is an independent corporate trustee. The Trust has used the funds to buy 208,405 ordinary shares in the Company which will meet its obligations under the plan. Unless it receives the prior approval of the Company's shareholders in general meeting, the Trust will not acquire more than a 5% shareholding in the Company.

3 Transactions with directors, officers and others

The aggregate amounts outstanding at 31 December 1994 to be disclosed pursuant to the Companies Act 1985 in respect of loans were as follows:

	1994		1993	
	Number	£000	Number	£000
Directors	4	26	6	21
Officers	12	69	12	104

The loans to directors include £16,818 (1993: £19,400) on normal commercial terms and in the ordinary course of the business.

There were no loans to connected parties during the year.

The loans to officers include £56,583 (1993: £19,681) on normal commercial terms and in the ordinary course of the business.

Save as disclosed herein, no other transactions, arrangements or agreements required to be disclosed by the London Stock Exchange or in terms of the above Act, as amended, were outstanding for any director and/or connected person or officer of the Company.

4 Staff

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

	1994	1993
Managers	6,823	7,106
Clerical staff	18,778	20,066
Others	3,133	3,662
	<u>28,734</u>	<u>30,834</u>

9 Taxation

	1994 £ million	1993 £ million	1992 £ million
The charge for taxation, based upon the profits for the year, comprises:			
United Kingdom corporation tax at 33% (1993: 33%, including a deferred tax credit of £5 million, 1992: 33% including a deferred tax charge of £4 million)	129	83	74
Relief for overseas tax	(129)	(74)	(67)
Advance corporation tax	16	8	11
	<u>16</u>	<u>17</u>	<u>18</u>
Overseas tax including a deferred tax charge of £6 million (1993: credit of £1 million, 1992: credit of £1 million)	156	137	99
Share of associated undertakings' tax	2	3	6
	<u>174</u>	<u>157</u>	<u>123</u>

Overseas tax includes £1 million (1993: £5 million, 1992: nil) charge relating to exceptional items and £1 million (1993: £1 million, 1992: ☐) charge relating to the disposal of investment securities.

10 Dividends on non-equity preference shares

	1994	
	pence	£ million
	per share	
Non-cumulative irredeemable 7 ³ / ₈ per cent. preference shares	<u>7.375p</u>	<u>7</u>

11 Dividends on ordinary equity shares

	1994		1993		1992	
	pence	£ million	pence	£ million	pence	£ million
	per share		per share		per share	
Interim paid	2.25p	22	1.875p	18	1.75p	16
Final proposed	<u>5.75p</u>	<u>55</u>	<u>4.125p</u>	<u>40</u>	<u>3.25p</u>	<u>31</u>
	<u>8.0p</u>	<u>77</u>	<u>6.0p</u>	<u>58</u>	<u>5.0p</u>	<u>47</u>

The dividends per share for 1993 and 1992 have been restated to reflect the sub-division of the £1 ordinary shares into four ordinary shares of 25p each.

12 Earnings per ordinary share

	1994		1993		1992	
	Earnings		Earnings		Earnings	
	pence	£ million	pence	£ million	pence	£ million
	per share		per share		per share	
Net basis - profit after taxation, minority interests and preference dividends	<u>32.7p</u>	<u>315</u>	<u>24.1p</u>	<u>229</u>	<u>6.2p</u>	<u>58</u>
Nil distribution basis - profit after taxation, minority interests and preference dividends but before charge for ACT	<u>34.4p</u>	<u>331</u>	<u>24.9p</u>	<u>237</u>	<u>7.4p</u>	<u>69</u>
	million		million		million	
Weighted average number of ordinary shares in issue	<u>962</u>		<u>952</u>		<u>940</u>	

Earnings per share for 1993 and 1992 has been restated to reflect the sub-division of the £1 ordinary shares into four ordinary shares of 25p each.

13 Treasury bills and other eligible bills

	1994 £ million	1993 £ million
Dealing securities:		
Treasury bills and similar securities	645	735
Other eligible bills	12	28
	<u>657</u>	<u>763</u>
Investment securities:		
Treasury bills and similar securities	1,543	532
Total treasury bills and other eligible bills	<u>2,200</u>	<u>1,295</u>

Treasury bills and other eligible bills include £64 million (1993: £16 million) of assets sold subject to sale and repurchase transactions. The estimated market value of treasury bills and similar securities held for investment purposes amounted to £1,545 million (1993: £533 million).

The change in the book amount of treasury bills and similar securities held for investment purposes comprised:

	Historical cost £ million	Amortisation of discounts/ premiums £ million	Book amount £ million
At 1 January 1994	541	(9)	532
Exchange translation differences	(37)	1	(36)
Acquisitions	4,370	—	4,370
Maturities and disposals	(3,320)	(13)	(3,333)
Amortisation of discounts and premiums	—	10	10
At 31 December 1994	<u>1,554</u>	<u>(11)</u>	<u>1,543</u>
At 1 January 1993	178	2	180
Exchange translation differences	12	—	12
Acquisitions	1,960	—	1,960
Maturities and disposals	(1,609)	10	(1,599)
Amortisation of discounts and premiums	—	(21)	(21)
At 31 December 1993	<u>541</u>	<u>(9)</u>	<u>532</u>

At 31 December 1994, unamortised discounts on treasury bills and similar securities held for investment purposes amounted to £11 million (1993: £3 million) and unamortised premiums amounted to £1 million (1993: nil).

14 Loans and advances to banks

	1994 £ million	1993 £ million
Repayable on demand	1,685	1,364
With a residual maturity of:		
3 months or less	4,739	3,959
Between 3 months and 1 year	2,107	1,768
Between 1 and 5 years	296	244
Over 5 years	156	130
	<u>8,983</u>	<u>7,465</u>
Provisions for bad and doubtful debts (note 18)	(268)	(296)
Interest in suspense (note 19)	(6)	(6)
	<u>8,709</u>	<u>7,163</u>

Loans and advances to banks include balances with central banks and other regulatory authorities amounting to £594 million (1993: £357 million) which are required by local statute and regulation. Also included are loans of £2 million (1993: £2 million) which are subordinated to the claims of other parties.

In 1992, the Group, in common with other financial institutions, identified deficiencies in its assets in India as a result of transactions in the securities markets which had been carried out in breach of the Group's procedures, frauds, and the failure of various counterparties to meet their contractual obligations. Since then the Group has pursued a number of claims and negotiated settlements which have led to the recovery of £43 million, including interest.

This leaves £284 million still to be recovered (1993: £317 million) against which there is a specific debt provision of £255 million (1993: £277 million). There are also claims against the Group all of which are being vigorously defended. The situation in India is inevitably complex and it will be some years before the recovery programme is completed and existing or any further claims and counterclaims are resolved.

In 1994, in common with other foreign and local banks, the Group settled a penalty and related interest levy, totalling £7 million, imposed by the Indian Government.

15 Securitised loans and advances to customers

	1994 £ million	1993 £ million
Securitised instalment credit agreements	502	549
Securitised Hong Kong residential mortgage receivables	83	—
	<u>585</u>	<u>549</u>

In 1990, a subsidiary undertaking, Chartered Trust plc, sold a portfolio of instalment credit agreements for £328 million to Cardiff Automobile Receivables Securitisation ("CARS") (UK) plc. Under an option to offer further amounts for sale up until 30 June 1993, further agreements were sold for £520 million. The purchaser financed the purchases by the issue of Floating Rate Notes and as the aggregate principal amounts of the Notes outstanding fell below £33 million these were redeemed on 20 June 1994 and CARS (UK) plc became a subsidiary of Chartered Trust plc.

In 1992 and 1993, Chartered Trust entered into separate transactions, whereby it sold further portfolios of motor vehicle and caravan instalment credit agreements for £395 million to CARS (UK) No 2 plc and CARS (UK) No 3 plc. During 1994, under a similar option to offer further amounts, further agreements were sold for £314 million. Chartered Trust has entered into interest rate exchange agreements (swaps) with the purchasers. The interest rates payable and receivable under these swaps are set by reference to market rates of interest on an arm's length basis and the obligations of the purchasers under the swaps are not subordinated to any of their obligations under the Notes. CARS (UK) No 2 plc and CARS (UK) No 3 plc are ultimately owned by the Law Debenture Trust Corporation plc (the "share trustee") and a nominee for the share trustee which holds the shares on a discretionary basis for a number of institutions including charities.

Chartered Trust retains an interest in the net revenues arising from the instalment credit agreements sold. This amounted to £29 million in 1994 (1993: £26 million). The gross revenues arising were £68 million (1993: £69 million); interest payable on the Notes was £31 million (1993: £30 million) and other costs amounted to £8 million (1993: £13 million).

On 15 December 1994, a subsidiary undertaking, Standard Chartered Bank, sold HK\$1 billion (£83 million) of Hong Kong residential mortgage receivables to a special purpose company, Mortgaged Asset Receivables Securitisation (1) Limited ("MARS"). MARS funded the purchase by issuing HK\$1 billion of notes secured on the mortgages. MARS is owned by a Bermuda trust, MARS Trustee (Pvt.) (Bermuda) Limited. When MARS has met all its operational expenses and its obligations to redeem the notes, Standard Chartered Bank is entitled to receive any surplus generated from the mortgages. Standard Chartered Bank is also entitled to receive origination and servicing fees. The payment of

these fees takes priority over MARS' obligations to its noteholders. There are no interest swap or cap arrangements between MARS and the Group, nor are there any provisions whereby additional assets can be transferred to MARS, except where the trustee for the noteholders determines that the original qualifying criteria for the mortgages sold to MARS have not been met, in which case qualifying assets must be substituted.

Neither Standard Chartered PLC nor any of its subsidiaries or associates, is obliged to support any losses which might arise from any of the securitised assets, nor does it or any other Group company intend to do so. The noteholders in each case have agreed in writing (in the financing documentation) that they will seek repayment of the notes, as to both the principal and interest, only to the extent that sufficient funds are generated by the assets securitised and that they will not seek recourse in other form. The Group has no interest in the share capital of any of the purchasers of the securitised assets or of the trustee companies responsible for the collection of the related receivables.

The terms of each of the transactions entered into meet the conditions for disclosure using a linked presentation as specified in FRS5. The amounts shown on the balance sheet under the linked presentation represent the gross asset values securitised, less the amount of the notes outstanding which were issued to finance the acquisition of the securitised assets.

16 Other loans and advances to customers

	1994 £ million	1993 £ million
Repayable on demand	3,953	4,262
With a residual maturity of:		
3 months or less	3,484	3,468
Between 3 months and 1 year	2,403	2,557
Between 1 and 5 years	3,654	4,075
Over 5 years	4,226	3,688
	<u>17,720</u>	<u>18,050</u>
Provisions for bad and doubtful debts (note 18)	(614)	(846)
Interest in suspense (note 19)	<u>(262)</u>	<u>(333)</u>
	<u>16,844</u>	<u>16,871</u>

Other loans and advances to customers include loans of £2 million (1993: £3 million) to associated undertakings and loans of £3 million (1993: nil) which are subordinated to the claims of other parties.

The Group's exposure to credit risk is concentrated in the Asia Pacific Region and the United Kingdom. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty and credit risk is spread over a diversity of both personal and commercial customers. The Group has outstanding residential mortgage loans to Hong Kong residents of approximately £2.4 billion (1993: £2.5 billion).

17 Assets leased to customers

	1994 £ million	1993 £ million
Operating leases:		
Cost of equipment	174	191
Accumulated depreciation	<u>(70)</u>	<u>(81)</u>
	104	110
Finance leases	737	779
Instalment credit agreements	<u>1,155</u>	<u>862</u>
	<u>1,996</u>	<u>1,751</u>

In addition, the Group has securitised instalment credit agreements as disclosed in note 15.

Assets leased to customers are included in other loans and advances to customers, except for finance leases of £31 million (1993: £27 million) which are included in loans and advances to banks.

The cost of assets acquired during the year for leasing to customers under finance leases and instalment credit agreements amounted to £1,378 million (1993: £1,342 million).

The aggregate amounts of leasing and instalment credit income receivable, including capital repayments, under finance leases amounted to £446 million (1993: £404 million) and under operating leases amounted to £64 million (1993: £61 million).

18 Provisions for bad and doubtful debts

	1994			1993		
	Specific £m	General £m	Total £m	Specific £m	General £m	Total £m
Provisions against loans and advances other than problem country debt						
Provisions held at 1 January	605	107	712	672	320	992
Exchange translation differences	(24)	(3)	(27)	1	4	5
Provisions applied	(267)	—	(267)	(533)	—	(533)
Recoveries of amounts previously written off	15	—	15	11	—	11
Reclassification of provisions relating to India	—	—	—	214	(214)	—
Other	5	—	5	7	(3)	4
New provisions	161	—	161	270	—	270
Recoveries/provisions no longer required	(39)	—	(39)	(37)	—	(37)
Net charge against profit	<u>122</u>	<u>—</u>	<u>122</u>	<u>233</u>	<u>—</u>	<u>233</u>
Provisions held at 31 December	<u>456</u>	<u>104</u>	<u>560</u>	<u>605</u>	<u>107</u>	<u>712</u>
Provisions against problem country debt						
Provisions held at 1 January	430	—	430	523	—	523
Exchange translation differences	(13)	—	(13)	9	—	9
Provisions applied	(114)	—	(114)	(107)	—	(107)
Other	19	—	19	5	—	5
Provisions held at 31 December	<u>322</u>	<u>—</u>	<u>322</u>	<u>430</u>	<u>—</u>	<u>430</u>
Total provisions held at 31 December against:						
Loans and advances to banks (note 14)	268	—	268	296	—	296
Loans and advances to customers (note 16)	510	104	614	739	107	846
	<u>778</u>	<u>104</u>	<u>882</u>	<u>1,035</u>	<u>107</u>	<u>1,142</u>

19 Interest in suspense

	1994	1993
	£ million	£ million
At 1 January	357	566
Exchange translation differences	(17)	(3)
Withheld from profit	36	144
Applied against debts	(84)	(350)
Other	(4)	—
At 31 December	<u>288</u>	<u>357</u>
Total interest in suspense relating to:		
Loans and advances to banks (note 14)	6	6
Loans and advances to customers (note 16)	262	333
Prepayments and accrued income	20	18
	<u>288</u>	<u>357</u>

20 Non-performing loans and advances

	1994			1993		
	Problem country debt £m	Other £m	Total £m	Problem country debt £m	Other £m	Total £m
Total loans and advances						
on which interest is suspended	709	1,199	1,908	1,036	1,405	2,441
Specific provisions for bad and doubtful debts	(322)	(456)	(778)	(430)	(605)	(1,035)
Interest in suspense	<u>(94)</u>	<u>(174)</u>	<u>(268)</u>	<u>(145)</u>	<u>(194)</u>	<u>(339)</u>
	<u>293</u>	<u>569</u>	<u>862</u>	<u>461</u>	<u>606</u>	<u>1,067</u>

At the end of 1994, non-performing lending (net of provisions and excluding problem country debt) of £569 million was 3% of total lending to customers (excluding problem country debt). Specific provisions and interest in suspense together cover 53% of total non-performing lending to customers (excluding problem country debt). If lending and provisions are adjusted for the cumulative amounts written off, the effective cover is 73%.

21 Debt securities

	1994			
	Investment securities £ million	Book amount Dealing securities £ million	Total debt securities £ million	Valuation Investment securities £ million
Issued by public bodies:				
Government securities	478	375	853	471
Other public sector securities	65	13	78	68
	<u>543</u>	<u>388</u>	<u>931</u>	<u>539</u>
Issued by other issuers:				
Bank certificates of deposit	—	338	338	—
Other certificates of deposit	—	89	89	—
Bills discountable with recognised markets	—	157	157	—
Other debt securities	131	344	475	131
	<u>131</u>	<u>928</u>	<u>1,059</u>	<u>131</u>
Total debt securities	<u>674</u>	<u>1,316</u>	<u>1,990</u>	<u>670</u>
Of which:				
Listed on a recognised UK exchange	163	4	167	156
Listed elsewhere	242	767	1,009	244
Unlisted	269	545	814	270
	<u>674</u>	<u>1,316</u>	<u>1,990</u>	<u>670</u>
	1993			
	Investment securities £ million	Book amount Dealing securities £ million	Total debt securities £ million	Valuation Investment securities £ million
Issued by public bodies:				
Government securities	540	235	775	547
Other public sector securities	102	16	118	108
	<u>642</u>	<u>251</u>	<u>893</u>	<u>655</u>
Issued by other issuers:				
Bank certificates of deposit	—	365	365	—
Other certificates of deposit	—	55	55	—
Bills discountable with recognised markets	—	137	137	—
Other debt securities	267	329	596	267
	<u>267</u>	<u>886</u>	<u>1,153</u>	<u>267</u>
Total debt securities	<u>909</u>	<u>1,137</u>	<u>2,046</u>	<u>922</u>
Of which:				
Listed on a recognised UK exchange	42	8	50	41
Listed elsewhere	613	616	1,229	622
Unlisted	254	513	767	259
	<u>909</u>	<u>1,137</u>	<u>2,046</u>	<u>922</u>

Debt securities include £126 million (1993: £181 million) securities sold subject to sale and repurchase transactions. £935 million (1993: £878 million) of the Group's debt securities mature within one year.

The valuation of listed investments is at market value and of unlisted investments at directors' estimate.

The change in the book amount of debt securities held for investment purposes comprised:

	Historical cost £ million	Amortisation of discounts/ premiums £ million	Provisions £ million	Book amount £ million
At 1 January 1994	931	1	(23)	909
Exchange translation differences	(23)	—	1	(22)
Acquisitions	699	—	—	699
Maturities and disposals	(808)	1	19	(788)
Transfers	(114)	(4)	—	(118)
Amortisation of discounts and premiums	—	(6)	—	(6)
At 31 December 1994	685	(8)	(3)	674
At 1 January 1993	1,267	(6)	(1)	1,260
Exchange translation differences	(35)	(1)	—	(36)
Acquisitions	870	—	—	870
Maturities and disposals	(1,165)	16	—	(1,149)
Provisions for permanent diminution in value	—	—	(22)	(22)
Amortisation of discounts and premiums	—	(8)	—	(8)
Other	(6)	—	—	(6)
At 31 December 1993	931	1	(23)	909

At 31 December 1994, unamortised premiums on debt securities held for investment purposes amounted to £15 million (1993: unamortised premiums £5 million, unamortised discounts £4 million).

22 Equity shares

	1994		1993	
	Book amount £ million	Valuation £ million	Book amount £ million	Valuation £ million
Investment securities:				
Listed overseas	9	11	14	24
Unlisted	45	79	31	46
	54	90	45	70
Dealing securities:				
Listed overseas	14	14	13	13
Total equity shares	68	104	58	83

The valuation of listed investments is at market value and of unlisted investments at directors' estimate.

Income from listed equity shares amounted to nil (1993: £1 million) and income from unlisted equity shares amounted to £1 million (1993: £19 million).

The change in the book amount of equity shares held for investment purposes comprised:

	Historical cost £ million	Provisions £ million	Book amount £ million
At 1 January 1994	53	(8)	45
Exchange translation differences	(4)	3	(1)
Acquisitions	22	—	22
Disposals	(7)	—	(7)
Transfers	(4)	—	(4)
Provision for permanent diminution in value	—	(1)	(1)
At 31 December 1994	<u>60</u>	<u>(6)</u>	<u>54</u>
At 1 January 1993	74	(8)	66
Exchange translation differences	(2)	—	(2)
Acquisitions	11	—	11
Disposals	(30)	—	(30)
At 31 December 1993	<u>53</u>	<u>(8)</u>	<u>45</u>

23 Interests in associated undertakings

	1994		1993	
	Book amount £ million	Valuation £ million	Book amount £ million	Valuation £ million
Banks:				
Listed overseas	9	19	9	25
Unlisted	4	4	6	6
Others:				
Listed overseas	2	2	1	5
Unlisted	3	6	17	26
	<u>18</u>	<u>31</u>	<u>33</u>	<u>62</u>

The valuation of interests in listed associated undertakings is at market value and of unlisted associated undertakings at directors' estimate.

Dividend income from unlisted associated undertakings amounted to £4 million (1993: £6 million).

	Premises £ million	Equipment £ million	Total £ million
Depreciation			
Accumulated at 1 January 1994	66	141	207
Exchange translation differences	(2)	(4)	(6)
Charge for the year	14	53	67
Attributable to assets sold or written off	(10)	(38)	(48)
Accumulated at 31 December 1994	68	152	220
Net book values at 31 December 1994	182	138	320
Accumulated at 1 January 1993	53	105	158
Exchange translation differences	—	1	1
Charge for the year	24	56	80
Released on revaluation	(3)	—	(3)
Attributable to assets sold or written off	(10)	(30)	(40)
Changes in Group structure	2	9	11
Accumulated at 31 December 1993	66	141	207
Net book values at 31 December 1993	191	145	336
Net book values at 31 December 1992	195	160	355

	1994 £ million	1993 £ million
Premises — analysis of net book value		
Freehold	60	66
Long leasehold	48	50
Short leasehold	74	75
	182	191
Premises — cost or valuation		
At cost	120	118
At valuations made:		
Prior to 1990	1	1
1990	5	4
1993	124	134
	250	257
On the historical cost basis, the book amount of premises amounted to:		
Cost	174	179
Accumulated depreciation	(69)	(66)
Net book value	105	113

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

The net book value of premises occupied by the Group for its own activities at 31 December 1994 was £177 million (1993: £183 million).

Cost or valuation of premises subject to depreciation at 31 December 1994 was £151 million (1993: £153 million).

26 Future rental commitments under operating leases

The Group's future annual rental commitments under operating leases are as follows:

	1994		1993	
	Premises £ million	Equipment £ million	Premises £ million	Equipment £ million
Annual rental on operating leases expiring:				
Within 1 year	18	1	11	2
Between 1 and 5 years	53	3	45	5
5 years or more	36	1	44	—
	<u>107</u>	<u>5</u>	<u>100</u>	<u>7</u>

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

27 Other assets

	1994 £ million	1993 £ million
Mark-to-market adjustments arising on foreign exchange and interest rate contracts	1,273	1,275
Bullion and other metal dealing stocks	549	507
Hong Kong Government certificates of indebtedness (note 41)	886	869
Assets awaiting sale	48	34
Other	598	700
	<u>3,354</u>	<u>3,385</u>

Other assets include balances relating to securitised loans and advances to customers (note 15) of £10 million (1993: £13 million) which are subordinated to the claims of other parties.

28 Deposits by banks

	1994 £ million	1993 £ million
Repayable on demand	1,325	1,652
With agreed maturity dates or periods of notice, by residual maturity:		
3 months or less	3,190	1,953
Between 3 months and 1 year	512	224
Between 1 and 5 years	69	39
Over 5 years	3	2
	<u>5,099</u>	<u>3,870</u>

Deposits by banks include deposits from associated undertakings amounting to £1 million (1993: nil).

29 Customer accounts

	1994 £ million	1993 £ million
Repayable on demand	6,954	7,394
With agreed maturity dates or periods of notice, by residual maturity:		
3 months or less	11,816	11,268
Between 3 months and 1 year	1,856	1,525
Between 1 and 5 years	291	299
Over 5 years	32	9
	<u>20,949</u>	<u>20,495</u>

Customer accounts include deposits from associated undertakings amounting to £4 million (1993: £6 million).

30 Debt securities in issue

	1994 £ million	1993 £ million
By residual maturity:		
3 months or less	334	425
Between 3 months and 1 year	56	41
Between 1 and 5 years	405	40
Over 5 years	17	18
	<u>812</u>	<u>524</u>

31 Other liabilities

	1994 £ million	1993 £ million
Mark-to-market adjustments arising on foreign exchange and interest rate contracts	1,145	1,148
Notes in circulation (note 41)	889	872
Short positions in debt securities	593	255
Current taxation	109	87
Proposed dividend	55	40
Other liabilities	<u>1,084</u>	<u>1,350</u>
	<u>3,875</u>	<u>3,752</u>

32 Deferred taxation

	Group		Company	
	1994	1993	1994	1993
	£ million	£ million	£ million	£ million
Deferred taxation comprises:				
Accelerated tax depreciation	12	11	—	—
Specific provisions for bad debts	(4)	(6)	—	—
Premises revaluation	7	7	—	—
Other timing differences	(6)	(9)	26	29
	<u>9</u>	<u>3</u>	<u>26</u>	<u>29</u>
Changes in deferred taxation balances during the year comprised:				
At 1 January	3	3	29	24
Exchange translation differences	—	1	—	—
Charge/(credit) against profit	6	(6)	(3)	5
Other	—	5	—	—
At 31 December	<u>9</u>	<u>3</u>	<u>26</u>	<u>29</u>
No account has been taken of the following potential deferred taxation items:				
Accelerated tax depreciation	(19)	(17)	—	—
Advance corporation tax written off	(24)	(44)	(24)	(44)
Tax losses carried forward	(65)	(76)	—	—
Provisions for bad debts	(50)	(55)	—	—
Other	<u>(16)</u>	<u>(15)</u>	<u>—</u>	<u>—</u>

No provision is made for any tax liability which might arise on the disposal of premises, subsidiary or associated undertakings at the amounts stated in these accounts, other than in respect of disposals which are intended in the foreseeable future. As it is expected that substantially all such assets will be retained by the Group, it is considered that no useful purpose would be served by attempting to quantify the unprovided potential liability.

33 Other provisions for liabilities and charges

	Provision for retirement benefits	Provision for contingent liabilities and commitments	Total
	£ million	£ million	£ million
At 1 January 1994	29	36	65
Exchange translation differences	—	(1)	(1)
Charge against profit	36	5	41
Provisions utilised	(31)	—	(31)
Other	<u>1</u>	<u>(16)</u>	<u>(15)</u>
At 31 December 1994	<u>35</u>	<u>24</u>	<u>59</u>
At 1 January 1993	23	40	63
Exchange translation differences	1	—	1
Charge against profit	37	—	37
Provisions utilised	(32)	—	(32)
Other	<u>—</u>	<u>(4)</u>	<u>(4)</u>
At 31 December 1993	<u>29</u>	<u>36</u>	<u>65</u>

34 Subordinated loan capital

	1994 £ million	1993 £ million
Undated — Company		
Primary Capital Floating Rate Notes:		
US\$400 million	256	270
US\$300 million (Series 2)	192	203
US\$400 million (Series 3)	256	270
US\$200 million (Series 4)	128	135
£150 million	150	150
	<u>982</u>	<u>1,028</u>
Dated — Company		
£97 million 12 ⁷ / ₈ per cent. Subordinated Unsecured Loan Stock 2002/2007	97	97
£59 million (1993: £64 million) Subordinated Floating Rate Notes 1996	59	64
	<u>156</u>	<u>161</u>
Dated — Subsidiary undertakings		
US\$176 million 12 per cent. Guaranteed Bonds 1996	112	119
SFr221 million (1993: SFr231 million) 4 per cent. Capital Bonds 1987-1997	108	105
	<u>376</u>	<u>385</u>
Dated subordinated loan capital — repayable		
Between 2 and 5 years	279	288
In 5 years or more	97	97
	<u>376</u>	<u>385</u>

During 1994, the Group purchased and cancelled SFr10 million (1993: SFr10 million) 4 per cent. Capital Bonds 1987-1997 and £5 million Subordinated Floating Rate Notes 1996.

Claims in respect of the Group's loan capital are subordinated to the claims of other creditors. None of the Group's loan capital is secured or convertible.

35 Called-up share capital

At the Annual General Meeting on 5 May 1994, shareholders approved the sub-division of the £1 ordinary shares into four ordinary shares of 25p each. The figures for 1993 and 1992 have been restated for this sub-division.

Authorised

The authorised share capital of the Company is £638 million (1993: £641 million) comprising 1,200 million ordinary shares of 25p each (1993: 300 million ordinary shares of £1 each), 300 million (1993: 300 million) non-cumulative preference shares of £1 each and 12 million (1993: 12 million) non-cumulative preference shares of US\$5 each.

	Preference shares of £1 each Number of shares (‘000)	Ordinary shares of 25p each Number of shares (‘000)	Total £ million
Allotted, called-up and fully paid			
At 1 January 1994	100,000	960,324	340
Issued under employee share option schemes	—	3,444	1
Issued in lieu of dividends	—	742	—
At 31 December 1994	<u>100,000</u>	<u>964,510</u>	<u>341</u>
Allotted, called-up and fully paid			
At 1 January 1993	—	946,180	237
Issued under employee share option schemes	—	13,317	3
Issued in lieu of dividends	—	827	—
Non-cumulative irredeemable 7 ³ / ₈ per cent. preference shares issued	<u>100,000</u>	<u>—</u>	<u>100</u>
At 31 December 1993	<u>100,000</u>	<u>960,324</u>	<u>340</u>

On 2 June 1994, 389,584 ordinary shares were issued in lieu of the 1993 final dividend; and on 27 October 1994, 352,648 ordinary shares were issued in lieu of the 1994 interim dividend.

The non-cumulative 7³/₈ per cent. preference shares of £1 each are irredeemable and carry the right to repayment of capital in the event of a winding up of the Company. They do not carry a right to vote at general meetings unless the dividend is unpaid or a resolution is proposed to such a meeting varying their attaching rights.

Up to 96,450,964 ordinary shares of 25p each, being part of the authorised share capital, may be issued under the employee share schemes.

Profit Sharing Scheme

At 31 December 1994, 128 employees were interested in 151,708 ordinary shares under the Group's Profit Sharing Scheme.

At 31 December 1993, 390 employees were interested in 435,756 ordinary shares under the Group's Profit Sharing Scheme.

Executive Share Option Scheme

At 1 January 1994, there were options outstanding over 19,376,440 ordinary shares under the Executive Share Option Scheme. During the year, 790,528 options lapsed, 2,967,184 were exercised at various prices from 90p to 175p and the following options were granted under the Scheme:

Date option granted	Option price per share	No. of shares under option	Exercise period
11 March 1994	281p	4,397,288	1997-2004
15 September 1994 (1994 No.1)	256p	931,658	1997-2004*
15 September 1994 (1994 No.2)	256p	1,327,627	1997-2004*

**The exercise of options will be linked to a sustained improvement in the financial performance of the Company.*

At 31 December 1994, there were options outstanding over 22,275,301 ordinary shares which may be exercised at various dates up to 2004 under the Rules of the Scheme.

At 1 January 1993, there were options outstanding over 24,557,820 ordinary shares under the Executive Share Option Scheme. During the year, 1,211,752 options lapsed, 12,230,816 were exercised at various prices from 89.9p to 175.4p and the following options were granted under the Scheme:

Date option granted	Option price per share	No. of shares under option	Exercise period
7 April 1993	175.4p	2,513,200	1996-2003
19 May 1993	182.6p	800,000	1996-2003
22 October 1993	253.6p	4,847,988	1996-2003
24 November 1993	253.4p	100,000	1996-2003

At 31 December 1993, there were options outstanding over 19,376,440 ordinary shares which may be exercised at various dates up to 2003 under the Rules of the Scheme.

Savings Related Share Option Scheme

At 1 January 1994, there were options outstanding over 10,871,536 ordinary shares under the Savings Related Share Option Scheme. During the year 310,363 options lapsed, options were exercised over 476,923 ordinary shares at various prices from 71p to 201p, and the following options were granted under the Scheme:

Date option granted	Option price per share	No. of shares under option	Exercise period
20 April 1994	221p	610,244	1999
20 September 1994	200p	746,816	1999-2000
20 September 1994	200p	62,946	2001-2002

At 31 December 1994, there were options outstanding over 11,504,256 ordinary shares which may be exercised at various dates up to 2002 under the Rules of the Scheme.

At 1 January 1993, there were options outstanding over 11,114,580 ordinary shares under the Savings Related Share Option Scheme. During the year 665,124 options lapsed, options were exercised over 1,086,000 ordinary shares at various prices from 71p to 119.5p, and the following options were granted under the Scheme:

Date option granted	Option price per share	No. of shares under option	Exercise period
8 April 1993	140.5p	823,940	1998
11 November 1993	201p	684,140	1998-1999

At 31 December 1993, there were options outstanding over 10,871,536 ordinary shares which may be exercised at various dates up to 1999 under the Rules of the Scheme.

36 Shareholders' funds

	1994				1993
	Share capital	Share premium account	Premises revaluation reserve	Profit and loss account	Total share-holders' funds
	£ million	£ million	£ million	£ million	£ million
At 1 January	340	362	69	526	1,297
Exchange translation differences	—	—	(2)	(3)	(5)
Shares issued	1	2	—	2	5
Expenses relating to issue of preference shares	—	—	—	—	—
Realised on disposal of premises	—	—	(2)	2	—
Goodwill	—	—	—	(5)	(5)
Surplus on revaluation of premises	—	—	—	—	26
Retained profit	—	—	—	238	238
At 31 December	<u>341</u>	<u>364</u>	<u>65</u>	<u>760</u>	<u>1,530</u>
Equity interest					1,430
Non-equity interests					100
At 31 December					<u>1,530</u>

The cumulative amount of premiums on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is £85 million (1993: £80 million). This excludes amounts in respect of businesses sold.

A substantial part of the Group's reserves is held in overseas subsidiary undertakings and branches principally to support local operations or to comply with local regulations. If these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

Details of changes in the Group's reserves attributable to associated undertakings are shown in note 23.

37 Company share capital and reserves

	1994				1993
	Share capital	Share premium account	Revaluation reserve	Profit and loss account	Total share-holders' funds
	£ million	£ million	£ million	£ million	£ million
At 1 January	340	362	113	482	1,297
Shares issued	1	2	—	2	5
Expenses relating to issue of preference shares	—	—	—	—	—
Increase in net assets of subsidiary undertakings	—	—	164	—	164
Profit for the year	—	—	—	148	148
Dividends paid and proposed	—	—	—	(84)	(84)
At 31 December	<u>341</u>	<u>364</u>	<u>277</u>	<u>548</u>	<u>1,530</u>
Equity interests					1,430
Non-equity interests					100
At 31 December					<u>1,530</u>

38 Consolidated cash flow statement

(a) Reconciliation between trading profit and net cash inflow from operating activities

	1994 £ million	1993 £ million	1992 £ million
Trading profit	499	358	73
Items not involving cash flow:			
Depreciation and amortisation of premises and equipment	67	80	57
Amortisation of investments	(4)	29	4
Charge for bad and doubtful debts	122	233	364
Debts written off, net of recoveries	(366)	(629)	(149)
Provisions for contingent liabilities and commitments	5	—	—
Amounts written off fixed asset investments	1	22	—
Increase/(decrease) in accruals and deferred income	(16)	27	29
(Increase)/decrease in prepayments and accrued income	(18)	86	64
Other items	(2)	5	—
Adjustments for items shown separately:			
Interest paid on subordinated loan capital	84	77	88
Net cash inflow from trading activities	372	288	530
Net increase in loans and advances to banks and customers	(2,717)	(1,308)	(552)
Securitisation receipts	83	303	□
Net increase in deposits from banks, customer accounts and debt securities in issue	2,733	1,656	(125)
Net increase in dealing securities	(32)	(139)	(124)
Net decrease in mark to market adjustment	23	71	(56)
Net decrease in other accounts	326	54	10
Net cash inflow from operating activities	788	925	(317)

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

	1994 £ million	1993 £ million	1992 £ million
Balance at 1 January	2,174	1,801	2,193
Reclassification	—	(180)	—
Exchange translation differences	(91)	(60)	223
Net cash inflow/(outflow)	(514)	613	(615)
Balance at 31 December	<u>1,569</u>	<u>2,174</u>	<u>1,801</u>

(c) Analysis of cash and cash equivalents

	1994 £ million	1993 £ million	1992 £ million
Cash and balances at central banks	369	379	523
Cheques in the course of collection	57	42	47
Demand loans and advances to banks and balances with central banks	1,227	2,085	1,560
Demand deposits from banks	(1,325)	(1,652)	(1,264)
Treasury bills and other eligible bills	657	763	666
Certificates of deposit and other bills held for the short term	584	557	269
	<u>1,569</u>	<u>2,174</u>	<u>1,801</u>

Demand loans and advances to banks and balances with central banks represent short term loans to

banks with maturity of less than three months and form part of loans and advances to banks disclosed in note 14.

(d) Analysis of changes in financing during the year

	Share capital £ million	Share premium £ million	Loan capital £ million
Balance at 1 January 1994	340	362	1,413
Exchange translation differences	—	—	(45)
Share capital issued, net of expenses	1	2	—
Repayments of subordinated loan capital	—	—	(10)
Balance at 31 December 1994	<u>341</u>	<u>364</u>	<u>1,358</u>
Balance at 1 January 1993	237	351	1,393
Exchange translation differences	—	—	25
Share capital issued, net of expenses	103	11	—
Repayments of subordinated loan capital	—	—	(5)
Balance at 31 December 1993	<u>340</u>	<u>362</u>	<u>1,413</u>
Balance at 1 January 1992	235	353	1,215
Exchange translation differences	—	—	198
Share capital issued, net of expenses	2	(2)	—
Repayments of subordinated loan capital	—	—	(20)
Balance at 31 December 1992	<u>237</u>	<u>351</u>	<u>1,393</u>

(e) Cash flow arising from the acquisition and disposal of subsidiary undertakings and businesses

	1994	
	Acquisition £ million	Disposals £ million
Net assets (acquired)/disposed of		
Cash and cash equivalents	—	1
Loans and advances to banks and customers	—	133
Other assets	—	6
Deposits from banks and customer accounts	—	(129)
Other liabilities	—	(5)
Minority interests	(12)	—
	(12)	6
Goodwill	(6)	1
Deferred consideration	1	(1)
Surplus over book value of disposals	—	4
Satisfied in cash	<u>(17)</u>	<u>10</u>

The acquisition shown above is that of the minority interest in Credit Corporation (Singapore) Limited. The disposals relate to the sale of the Group's private trust businesses operating principally in Hong Kong, Jersey and the Cook Islands, and Standard Chartered Bank (Isle of Man) Limited.

	1993	
	Acquisition £ million	Disposals £ million
Net assets (acquired)/disposed of		
Cash and cash equivalents	(23)	16
Loans and advances to banks	(25)	—
Loans and advances to customers	(359)	233
Associated undertakings	(1)	—
Tangible fixed assets	(8)	—
Other assets	(75)	—
Prepayments and accrued income	(4)	2
Deposits from banks and customer accounts	287	(236)
Accruals and deferred income	11	(1)
Other liabilities	58	(1)
	<u>(139)</u>	<u>13</u>
Goodwill	(5)	—
Deferred consideration	3	—
Surplus over book value of disposals	—	7
Satisfied in cash	<u>(141)</u>	<u>20</u>

The acquisition shown above is that of the international trade finance and other businesses purchased from First Interstate Bancorp. These businesses have been integrated with those of the Group and it is therefore not possible to separately identify cash flows arising in them since acquisition. The disposals relate to the sale of both the institutional trust business and StanChart Business Credit. Cash flows in these businesses prior to disposal were not material.

	1992	
	Acquisition £ million	Disposals £ million
Net assets (acquired)/disposed of		
Cash and cash equivalents	(5)	1
Investments	(55)	—
Advances to customers and other accounts	(341)	—
Current, deposit and other accounts	376	—
	<u>(25)</u>	<u>1</u>
Discount on acquisition	5	—
Surplus over book value on disposals	—	1
	<u>(20)</u>	<u>2</u>
Satisfied by		
Cash (paid)/received	(19)	2
Deferred consideration	(1)	—
	<u>(20)</u>	<u>2</u>

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

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

1994	
Acquisition £ million	Disposals £ million
(17)	10
—	(1)
<u>(17)</u>	<u>9</u>
Net inflow/(outflow) of cash and cash equivalents	
1993	
Acquisition £ million	Disposals £ million
(141)	20
23	—
—	(16)
<u>(118)</u>	<u>4</u>
Net inflow/(outflow) of cash and cash equivalents	
1992	
Acquisition £ million	Disposals £ million
(20)	2
5	—
—	(1)
<u>(15)</u>	<u>1</u>
Net (outflow)/inflow of cash and cash equivalents	

39 Segmental information

By geographic segment

	1994						Total £m
	Asia Pacific Hong Kong £m	Other countries £m	Americas £m	UK £m	Africa £m	Middle East and S. Asia £m	
Interest receivable	751	724	96	1,066	210	198	3,045
Interest payable	(427)	(450)	(74)	(864)	(126)	(117)	(2,058)
Net interest income	324	274	22	202	84	81	987
Fees and commissions receivable, net	131	124	40	36	46	19	396
Dealing profits and exchange	26	58	24	52	20	28	208
Other operating income	5	8	6	34	3	9	65
Net revenue	486	464	92	324	153	137	1,656
Total operating expenses	(264)	(302)	(87)	(176)	(108)	(92)	(1,029)
Profit before charge for debts	222	162	5	148	45	45	627
Charge for debts and contingent liabilities	(3)	(33)	(13)	(52)	(14)	(12)	(127)
Amounts written off fixed asset investments	—	—	—	(1)	—	—	(1)
Trading profit/(loss)	219	129	(8)	95	31	33	499
Share of results of associated undertakings	(1)	—	—	3	3	2	7
Profit/(loss) before exceptional items	218	129	(8)	98	34	35	506
Exceptional items	(6)	6	(2)	3	3	—	4
Profit/(loss) before taxation	212	135	(10)	101	37	35	510
Total assets employed	12,903	12,176	2,279	13,397	1,527	2,712	44,994
Net assets employed	377	423	78	476	59	117	1,530
Total risk weighted assets and contingents	4,924	6,184	950	5,304	833	1,723	19,918

Total interest receivable and total interest payable include intra-group interest of £845 million and total assets employed include intra-group items of £10,780 million.

Group central expenses, the benefit of the Group's capital, and assets held at the centre have been distributed between segments 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.

	1993						Total £m
	Asia Pacific Hong Kong £m	Other countries £m	Americas £m	UK £m	Africa £m	Middle East and S. Asia £m	
Interest receivable	723	694	156	1,103	241	192	3,109
Interest payable	(372)	(429)	(125)	(930)	(167)	(124)	(2,147)
Net interest income	351	265	31	173	74	68	962
Fees and commissions receivable, net	133	111	49	38	42	17	390
Dealing profits and exchange	22	75	35	82	8	14	236
Other operating income	7	13	4	40	3	17	84
Net revenue	513	464	119	333	127	116	1,672
Total operating expenses	(284)	(298)	(118)	(194)	(94)	(71)	(1,059)
Profit before charge for debts	229	166	1	139	33	45	613
Charge for debts	(10)	(38)	(9)	(159)	(13)	(4)	(233)
Amounts written off fixed asset investments	—	—	—	—	—	(22)	(22)
Trading profit/(loss)	219	128	(8)	(20)	20	19	358
Share of results of associated undertakings	1	4	—	4	2	2	13
Profit/(loss) before exceptional items	220	132	(8)	(16)	22	21	371
Exceptional items	14	7	9	—	—	—	30
Profit/(loss) before taxation	234	139	1	(16)	22	21	401
Total assets employed	11,464	11,481	2,552	12,680	1,509	2,749	42,435
Net assets employed	307	353	78	407	54	98	1,297
Total risk weighted assets and contingents	4,377	5,419	1,265	5,823	831	1,576	19,291

Total interest receivable and total interest payable include intra-group interest of £938 million and total assets employed include intra-group items of £10,552 million.

Group central expenses, the benefit of the Group's capital, and assets held at the centre have been distributed between segments 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.

	1992						Total £m
	Asia Pacific Hong Kong £m	Other countries £m	Americas £m	UK £m	Africa £m	Middle East and S. Asia £m	
Interest receivable	659	685	160	1,411	212	172	3,299
Interest payable	(388)	(480)	(134)	(1,270)	(137)	(139)	(2,548)
Net interest income	271	205	26	141	75	33	751
Fees and commissions receivable, net	87	72	26	34	37	16	272
Dealing profits and exchange	15	57	13	49	15	10	159
Other operating income	(1)	12	4	26	3	2	46
Net revenue	372	346	69	250	130	61	1,228
Total operating expenses	(207)	(209)	(60)	(182)	(82)	(51)	(791)
Profit before charge for debts	165	137	9	68	48	10	437
Charge for debts	51	11	(23)	(123)	(7)	(273)	(364)
Trading profit/(loss)	216	148	(14)	(55)	41	(263)	73
Share of results of associated undertakings	—	1	—	13	3	3	20
Profit/(loss) before exceptional items	216	149	(14)	(42)	44	(260)	93
Exceptional items	86	12	—	—	—	(2)	96
Profit/(loss) before taxation	302	161	(14)	(42)	44	(262)	189
Total assets employed	9,776	10,923	2,069	14,055	1,615	2,949	41,387
Net assets employed	226	291	60	286	51	90	1,004
Total risk weighted assets and contingents	4,317	5,532	1,135	6,339	966	1,720	20,009

Total interest receivable and total interest payable include intra-group interest of £1,230 million and total assets employed include intra-group items of £11,958 million.

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

By class of business	1994 £ million	1993 £ million
Functionally directed:		
Commercial banking:		
Profit before charge for debts	378	328
Charge for debts and contingent liabilities	(62)	(190)
	<u>316</u>	<u>138</u>
Treasury:		
Profit before charge for debts	102	159
Charge for debts and contingent liabilities	(3)	—
	<u>99</u>	<u>159</u>
Investment banking:		
Profit/(loss) before charge for debts	(16)	47
Charge for debts and contingent liabilities	(5)	—
	<u>(21)</u>	<u>47</u>
Profit before exceptional items	394	344
Exceptional items	(10)	23
Profit before taxation	<u>384</u>	<u>367</u>
Geographically directed:		
Profit before charge for debts	115	77
Charge for bad and doubtful debts	(57)	(43)
Amounts written off fixed asset investments	(1)	(22)
Share of results of associated undertakings	7	13
	<u>64</u>	<u>25</u>
Profit before exceptional items	14	7
Exceptional items	78	32
Profit before taxation	<u>48</u>	<u>2</u>
Problem country debt unit: profit before taxation	<u>48</u>	<u>2</u>
Total profit before taxation†	<u>510</u>	<u>401</u>

† The total profit before taxation for 1992 was £189 million. No comparable breakdown was required to be disclosed in 1992.

	1994		1993		1992	
	Total assets employed £ million	Net assets employed £ million	Total assets employed £ million	Net assets employed £ million	Total assets employed £ million	Net assets employed £ million
Functionally directed:						
Commercial banking	17,797	924	18,304	726	□	□
Treasury	17,029	223	13,957	182	□	□
Investment banking	988	15	977	13	□	□
Geographically directed	8,641	337	8,387	324	□	□
Problem country debt unit	539	31	810	52	□	□
Total	<u>44,994</u>	<u>1,530</u>	<u>42,435</u>	<u>1,297</u>	<u>41,387</u>	<u>1,00</u>

In each country there is local management responsible for the conduct of business. There are also management teams who are responsible for managing particular product groups across Hong Kong, Singapore, Malaysia, Thailand, Indonesia, USA, UK and India. The businesses in these countries are described as being "Functionally directed". In other countries, described as "Geographical

directed", many of which are relatively small, the country management is accountable for all businesses.

Operating expenses are attributed or allocated to classes of business on an appropriate basis. Group central expenses, the benefit of the Group's capital and assets held at the centre have been distributed between segments in proportion to their risk weighted assets.

40 Problem country exposure

The Group's provisional exposure to countries experiencing external liquidity problems excludes amounts externally secured or advanced on a voluntary short term basis.

At 31 December 1994, the Group's problem country exposure comprised £179 million (1993: £587 million) in respect of lesser developed countries, £356 million (1993: £66 million) enhanced debt and £190 million (1993: £417 million) in respect of South Africa.

Provisions of 83% (1993: 72%) were held against exposure to lesser developed countries and 53% (1993: 32%) against the enhanced debt portfolio.

41 Secured liabilities

	1994 £ million	1993 £ million
Notes in circulation	889	872

Notes in circulation of £889 million (1993: £872 million) (note 31) were secured by the deposit of funds of £886 million (1993: £869 million) in respect of which Hong Kong Government certificates of indebtedness were held (note 27) and the balance of £3 million (1993: £3 million) represents fiduciary notes issued secured by deposits of government securities with the Hong Kong Government.

42 Capital commitments

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

	1994 £ million	1993 £ million
Not contracted	12	7
Contracted	18	4

43 Turnover

	1994 £ billion	1993 £ billion	1992 £ billion
The turnover of the Group principally arises from the business of banking and related activities and is not shown.			
Other turnover, principally bullion sales, amounted to:	136	155	169

44 Assets and liabilities in currencies other than sterling

	1994 £ million	1993 £ million
Total assets denominated in:		
Sterling	4,458	4,612
Other currencies	29,756	27,271
	<u>34,214</u>	<u>31,883</u>
Total liabilities denominated in:		
Sterling	5,704	5,500
Other currencies	28,510	26,383
	<u>34,214</u>	<u>31,883</u>

This table does not include off-balance sheet items and therefore does not represent the Group's exposure to foreign exchange fluctuations.

45 Contingent liabilities, commitments, foreign exchange and interest rate contracts

The table below shows the contract or underlying principal amounts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk. The credit equivalent and risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle Accord on capital adequacy, after taking account of collateral and guarantees received.

	1994			1993		
	Contract or underlying principal amount £m	Credit equivalent amount £m	Risk weighted amount £m	Contract or underlying principal amount £m	Credit equivalent amount £m	Risk weighted amount £m
Contingent liabilities						
Acceptances and endorsements	574	574	476	599	599	534
Guarantees and irrevocable letters of credit	2,926	2,227	1,442	2,987	2,238	1,536
Other contingent liabilities	361	287	241	369	244	152
	<u>3,861</u>	<u>3,088</u>	<u>2,159</u>	<u>3,955</u>	<u>3,081</u>	<u>2,222</u>
Commitments						
Documentary credits and short term trade-related transactions	1,592	318	269	1,557	311	254
Forward asset purchases and forward deposits placed	74	74	15	534	534	113
Undrawn note issuance and revolving underwriting facilities	17	8	8	20	10	10
Undrawn formal standby facilities, credit lines and other commitments to lend:						
1 year and over	1,270	635	529	1,435	717	597
Less than 1 year	6,394	—	—	6,343	—	—
	<u>9,347</u>	<u>1,035</u>	<u>821</u>	<u>9,889</u>	<u>1,572</u>	<u>974</u>
	Contract or underlying principal amount £m	Positive replace- ment cost £m	Risk weighted amount £m	Contract or underlying principal amount £m	Positive replace- ment cost £m	Risk weighted amount £m
Foreign exchange and interest rate contracts						
Foreign exchange contracts	114,701	1,098	424	80,769	852	393
Interest rate contracts	<u>26,922</u>	<u>275</u>	<u>96</u>	<u>32,778</u>	<u>236</u>	<u>86</u>

Under the Basle Accord, credit equivalent amounts, obtained by applying credit conversion factor to the contract amount, are risk weighted according to the nature of the counterparty. Undrawn loan commitments which are unconditionally cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.

The Group enters into off-balance sheet financial contracts, including forwards, futures, options and other derivative contracts, for both dealing and hedging purposes.

PART IV – THE PLACING

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 passed on 6 December 1995 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 101.053p per share and have determined, *inter alia*, that the rate of dividend attaching to them shall be $8\frac{1}{4}$ per cent. per annum (exclusive of any associated tax credit) which will be payable in equal half-yearly instalments in arrears on 1 April and 1 October in each year, except that the first dividend instalment shall be payable in respect of the period from and including 14 December 1995 up to but excluding 1 April 1996.

Under the Placing Agreement each of Schroders, Cazenove and SBC Warburg has severally agreed to use its 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. No Preference Shares are being offered to persons in the United Kingdom prior to the admission to listing becoming effective except in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of Schedule 11A of the Financial Services Act 1986.

The Placing is conditional on the Placing Agreement becoming unconditional in accordance with its terms and on the Preference Shares being admitted to the Official List by the London Stock Exchange, such admission to become effective not later than 9.00 a.m. on 8 December 1995.

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 SBC Warburg 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 SBC Warburg commissions amounting in aggregate to $\frac{7}{8}$ 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 SBC Warburg 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 14 December 1995. It is estimated that the cash proceeds (net of expenses) accruing to the Company from the Placing will amount to approximately £100 million.

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 first class post by not later than close of business on 14 December 1995.

PART V – FURTHER INFORMATION

1. Responsibility Statement

The Directors, whose names appear on pages 4, 5 and 6, 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 and registered in England and Wales on 18 November 1969 as a company limited by shares with registered number 966425 and with the name Standard and Chartered Banking Group Limited. On 1 October 1975 the Company changed its name to Standard Chartered Bank Limited. On 1 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 1 January 1985 changed its name to Standard Chartered PLC. The Company operates under the Companies Acts 1985 and 1989 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.

(b) 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.

(c) Voting and meeting 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.

(d) 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.

(e) 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.

(f) 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 (f) 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 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 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 applicable law 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 applicable law 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 Director may determine prior to allotment of such shares.

(vi) *Further issues*

The Company may issue further series of preference share capital ranking a 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 applicable law, be issued in bearer form

4. Share Capital

- (a) At the Company's Annual General Meeting on 5 May 1994, shareholders approved the sub-division of the £1 ordinary shares into four Ordinary Shares of 25p each. All the figures prior to 5 May 1994 in this section have been restated accordingly.
- (b) The authorised and issued share capital of the Company as at the Latest Practicable Date was:

	Authorised	Issued
Ordinary Shares	£300,000,000	£243,327,921
Sterling Preference Shares	£300,000,000	£100,000,000
	<u>£600,000,000</u>	<u>£343,327,921</u>
US Dollar Preference Shares	<u>US\$60,000,000</u>	<u>—</u>

- (c) The following are the only changes to the issued share capital of the Company during the three years preceding the date of this document.

During 1993, the following shares were issued:

- (i) 570,904 Ordinary Shares were issued in lieu of the 1992 final dividend;
- (ii) 255,912 Ordinary Shares were issued in lieu of the 1993 interim dividend;
- (iii) 1,086,000 Ordinary Shares were issued under the Standard Chartered Savings Related Share Option Scheme at various prices ranging from 71p to 119.5p per Ordinary Share;
- (iv) 12,230,816 Ordinary Shares were issued under the Standard Chartered Executive Share Option Scheme at various prices ranging from 89.9p to 175.4p per Ordinary Share; and
- (v) the 100,000,000 Existing Preference Shares were issued.

During 1994, the following shares were issued:

- (i) 389,584 Ordinary Shares were issued in lieu of the 1993 final dividend;
- (ii) 352,648 Ordinary Shares were issued in lieu of the 1994 interim dividend;
- (iii) 476,923 Ordinary Shares were issued under the Standard Chartered Savings Related Share Option Scheme at various prices ranging from 71p to 221p per Ordinary Share;
- (iv) no Ordinary Shares were issued under the Standard Chartered 1994 Sharesave Scheme; and
- (v) 2,967,184 Ordinary Shares were issued under the Standard Chartered Executive Share Option Scheme at various prices ranging from 90p to 175p per Ordinary Share.

During the period commencing 1 January 1995 and ending on the Latest Practicable Date, the following shares were issued:

- (i) 827,207 Ordinary Shares were issued in lieu of the 1994 final dividend;
- (ii) 750,056 Ordinary Shares were issued in lieu of the 1995 interim dividend;

- (iii) 3,191,582 Ordinary Shares were issued under the Standard Chartered Savings Related Share Option Scheme at various prices ranging from 71p to 221p per Ordinary Share;
 - (iv) 4,773 Ordinary Shares were issued under the Standard Chartered 1994 Sharesave Scheme at a price of 200p per Ordinary Share;
 - (v) 3,959,764 Ordinary Shares were issued under the Standard Chartered Executive Share Option Scheme at various prices ranging from 89.9p to 280.9p per Ordinary Share;
 - (vi) 3,300 Ordinary Shares were issued under the Standard Chartered 1994 (No. 1) Executive Share Option Scheme at a price of 256p per Ordinary Share; and
 - (vii) 65,000 Ordinary Shares were issued under the Standard Chartered 1994 (No. 2) Executive Share Option Scheme at a price of 256p per Ordinary Share.
- (d) The Directors are authorised pursuant to Section 80 of the Companies Act 1985 to allot all the unissued Ordinary Shares and preference shares of the Company (including the sterling preference shares of the Company up to an aggregate nominal amount of £200 million). 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, in connection with a rights issue of up to an aggregate nominal value of £12,061,705. 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 the unissued Ordinary Shares and sterling preference shares in the Company will expire at the conclusion of the Annual General Meeting of the Company to be held in 1996 and the authority of the Directors to allot the unissued US Dollar preference shares will expire on 3 May 2000.
- (e) As at the Latest Practicable Date there were options outstanding to subscribe for 16,048,096 Ordinary Shares under the Standard Chartered Executive Share Option Scheme. The options will become exercisable at various dates between the Latest Practicable Date and 11 March 2004, subject to the rules of the Scheme, at various exercise prices ranging from 89.9 pence per Ordinary Share to 280.9 pence per Ordinary Share. There was no consideration payable for the grant of options.
- (f) As at the Latest Practicable Date there were options outstanding to subscribe for 4,224,967 Ordinary Shares under the Standard Chartered 1994 (No. 1) Executive Share Option Scheme. The options will become exercisable at various dates between 15 September 1997 and 6 September 2005, subject to the rules of the Scheme, at various exercise prices ranging from 256.0 pence per Ordinary Share to 454.0 pence per Ordinary Share. There was no consideration payable for the grant of the options.
- (g) As at the Latest Practicable Date there were options outstanding to subscribe for 3,107,227 Ordinary Shares under the Standard Chartered 1994 (No. 2) Executive Share Option Scheme. The options will become exercisable at various dates between 15 September 1997 and 12 September 2005, subject to the rules of the

Scheme, at various exercise prices ranging from 256.0 pence per Ordinary Share to 460.0 pence per Ordinary Share. There was no consideration payable for the grant of the options.

- (h) As at the Latest Practicable Date there were options outstanding to subscribe for 6,194,651 Ordinary Shares under the Standard Chartered Savings Related Share Option Scheme. The options will become exercisable at various dates between the Latest Practical Date and 1 November 1999, subject to the rules of the Scheme, at various exercise prices ranging from 71.0 pence per Ordinary Share to 221.0 pence per Ordinary Share. There was no consideration payable for the grant of the options.
- (i) As at the Latest Practicable Date there were options outstanding to subscribe for 2,964,007 Ordinary Shares under the Standard Chartered 1994 Sharesave Scheme. The options will become exercisable at various dates between 1 November 1999 and 1 May 2003, subject to the rules of the Scheme, at various exercise prices ranging from 200.0 pence per Ordinary Share to 304.0 pence per Ordinary Share. There was no consideration payable for the grant of the options.

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 ⁷ / ₈ per cent. subordinated loan stock 2002/2007	97
£58.95 million subordinated floating rate notes 1996	59
US\$175.6 million 12 per cent. guaranteed bonds 1996	115
Swiss Francs 221 million 4 per cent. capital bonds 1987-1997	123
Undated subordinated loan capital:	
US\$400 million	261
US\$300 million (Series 2)	196
US\$400 million (Series 3)	261
US\$200 million (Series 4)	131
£150 million	150
	1,393

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 $\frac{1}{4}$ of the amount of the dividend paid. 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 $\frac{1}{4}$ of the dividend paid. In the case of an individual preference shareholder who (after taking account of his receipt of the dividend) is liable at only the lower or basic rate of income tax, the tax credit will in each case satisfy his tax liability in respect of the dividend and there will be no further income tax to pay and no right to claim repayment of the tax credit from the Inland Revenue. 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.

Subject to certain exceptions for some insurance companies with overseas business, 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 $\frac{1}{4}$ 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.

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" (under the relevant provisions of the Finance Act 1994) 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. The Company has no present intention of requesting the holders of the Preference Shares for their consent for any dividends on the Preference Shares to be treated as foreign income dividends. The above statements, which relate solely to holders of Preference Shares, do not therefore deal with the taxation regime which is applicable to foreign income dividends.

(b) Additional Preference Shares

Where additional preference shares are paid up otherwise than out of the Company's share premium account, 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 of this document under the heading "Dividends" would be as set out in the next paragraph.

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 at the lower or the basic 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.

However, where additional preference shares are paid up out of the Company's share premium account, the likely tax treatment of a 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 of this document under the heading "Dividends" would be as set out below.

An individual preference shareholder who is in receipt of additional preference shares will not be treated as receiving income and will therefore have no income tax liability in respect of the receipt. Similarly, a corporate preference shareholder who is in receipt of additional preference shares will not be liable to corporation tax in respect of the receipt. However, whether a preference shareholder in receipt of additional preference shares is an individual or corporate, for the purposes of United Kingdom tax on chargeable gains, the issue of additional preference shares will be regarded as a reorganisation of the share capital of the Company. Accordingly, a preference shareholder in receipt of additional preference shares will not be treated as making a disposal of all or part of any existing holding of Preference Shares by reason of the receipt. The additional preference shares will, for the purposes of tax on chargeable gains, be treated as the same asset and as having been acquired at the same time as the existing holding of Preference Shares was acquired. In the case of an individual preference shareholder for capital gains tax purposes and in the case of a corporate preference shareholder 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 and which (a) have been notified by each Director to the Company pursuant to Section 324 or Section 328 of the Companies Act 1985; (b) are required pursuant to Section 325 of that Act to be entered in the register referred to therein; or (c) are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under (a) or (b) above, and the existence of which is known to or could with reasonable diligence be ascertained by that Director are as follows:

Name	Ordinary Shares	Options to subscribe for Ordinary Shares
PJ Gillam	4,213	587,757
RJ Agnew	3,000	—
DP Brougham	2,809	530,009
CNA Castleman	17,560	369,795
RC Chan	2,015	—
KAV Mackrell	4,416	—
J McFarlane	176,283	402,582
DG Moir	4,992	397,193
HE Norton	2,000	—
RJ Olsen	2,000	—
PME Paillart	2,238	240,683
Sir Ralph Robins	3,440	—
AWP Stenham	20,197	—
Lord Stewartby	11,362	—
GM Williamson	99,573	567,882
PA Wood	2,858	514,582

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

- (b) On 16 March 1995, the following Directors were awarded Ordinary Shares subject to the terms of the Standard Chartered Restricted Share Scheme. The shares are held on behalf of the Directors by the Standard Chartered Employees' Share Ownership Plan Trust in accordance with the rules of the Trust:

Name	Ordinary Shares	Period available for release
PJ Gillam	35,156	1998 – 2000
GM Williamson	42,000	1998 – 2000
DP Brougham	22,916	1998 – 2000
CNA Castleman	18,333	1998 – 2000
J McFarlane	31,250	1998 – 2000
DG Moir	27,500	1998 – 2000
PME Paillart	8,680	1998 – 2000
PA Wood	31,250	1998 – 2000

Conditional allocations to individual Directors under the terms of the Restricted Share Scheme have been made as set out above. There is no current intention to amend the allocation of Shares from that set out above. Nevertheless, by virtue of being potential beneficiaries of the Trust, each Director is deemed, for the purposes of the Companies Act 1985, to have an interest in the Shares held in the Trust. As at the Latest Practicable Date, the Trust's total holding was 259,35 Shares.

- (c) 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 31 December 1994 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.
- (d) The total of all outstanding loans granted by any member of the Group to the Directors as at the Latest Practicable Date was £15,000. No guarantees were provided by any member of the Group for the benefit of Directors.
- (e) As at the Latest Practicable Date, the Company was aware of the following interests of 3 per cent. or more in its Ordinary Shares:

Shareholder	Millions of Ordinary Shares	Percentage of issued Ordinary Share capital
Tan Sri Khoo Teck Puat	144.9	14.9
Prudential Corporation plc	42.6	4.4

8. Directors' Service Agreements

- (a) Each of the undermentioned Executive Directors, except Mr PJ Gillam, has entered into a service agreement with Standard Chartered Bank. Mr PJ Gillam has entered into a service agreement with Standard Chartered PLC.

Name	Date of agreement	Current salary per annum
PJ Gillam	5 March 1993	£310,000
DP Brougham	1 January 1993	£242,000
CNA Castleman	6 November 1991	£242,000
J McFarlane	29 June 1993	£275,000
DG Moir	29 March 1993	£266,000
PME Paillart	30 November 1995	£220,000
GM Williamson	30 May 1989	£369,000
PA Wood	22 March 1993	£275,000

- (b) In addition to the above, all the Executive Directors, except Mr PJ Gillam, receive post retirement benefits under a variety of arrangements. Generally, Executive Directors, including Mr PJ Gillam, receive life assurance benefits, the provision of a company car (or cash allowance) and private health insurance cover.

They also receive an annual bonus award in two parts, a cash sum payable on award and restricted shares which are released to the Executive Director between three and five years after the award. The award is dependent upon both the Group and they, as individuals, achieving certain objectives.

The Executive Directors' service agreements are terminable by the employer between three and two years' notice and are terminable by the Executive Director on periods ranging from three years to six months, depending on the terms of each Executive Director's contract.

- (c) The aggregate remuneration and benefits in kind paid by the Group to the Directors for the year ended 31 December 1994, including pension contributions, was £3.9 million.

9. Employee Share Schemes

The Company operates the following schemes:

The Standard Chartered Profit-sharing Scheme (the "Profit-sharing Scheme")

General

The Profit-sharing Scheme is approved by the Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1988 ("ICTA").

Eligibility

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 Board determines.

Operation

The Profit-sharing Scheme may be operated once in each year in the period following the announcement of the Group's final results. In any year in which the Board decides to operate the Profit-sharing Scheme, the Company and participating subsidiaries make payments to the trustee of the scheme. The trustee uses the funds to acquire Ordinary Shares by purchase or subscription to be held on behalf of eligible employees.

Retention of shares

As required by ICTA, Ordinary Shares acquired by the trustee and allocated to participants must be held by the trustee throughout a retention period (currently two years from the date of allocation unless shortened by death, the attainment of the age of 60 years 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.

While any Ordinary Shares are so held in trust, the respective employees are the beneficial owners of them and are entitled to direct the trustee how to exercise their voting rights, to receive dividends and to participate in rights and capitalisation issues in substantially the same way as other shareholders.

Subscription price

The subscription price of Ordinary Shares subscribed for under the Profit-sharing Scheme is the middle market quotation of an Ordinary Share, as derived from the Official List, for the first dealing day on which the shares are quoted ex-dividend following the announcement of the Group's final results (or, if later, on the first dealing day in the period of thirty days preceding the date on which the shares are allocated to the eligible employees). Ordinary Shares so issued rank *pari passu* with existing Ordinary Shares.

Limit on profits

In any year the amount which may be made available by the Group for the purposes of acquiring Ordinary Shares pursuant to the Profit-sharing Scheme may not exceed 5 per

cent. of that part of the profits of the Group (before taxation and extraordinary items and before taking account of any sum set aside for the Profit-sharing Scheme) for the previous year which in the opinion of the Board is attributable to the operations of the participating companies.

Limit on shares

- (i) Subject to adjustment following any variation in share capital, the maximum number of Ordinary Shares that may be issued to the trustee is 15,548,999.
- (ii) The number of Ordinary Shares which may be issued to the trustee in any year may not exceed 1 per cent. of the Company's equity share capital immediately before the date of subscription.
- (iii) The number of Ordinary Shares which may be issued to the trustee in any period of three calendar years, when added to the number of Ordinary Shares issued or remaining issuable in respect of options granted in the same period under the Company's employee share schemes, may not exceed 3 per cent. of the Company's equity share capital immediately before the date of subscription.
- (iv) The market value of Ordinary Shares which may be allocated to any employee in any year under the Profit-sharing Scheme may not exceed the limit from time to time permitted by ICTA. The current limit is £3,000 or, if greater, 10 per cent. of annual salary, subject to an overall maximum of £8,000.

Amendments

The provisions of the Profit-sharing Scheme may be amended by agreement between the Company and the trustee. However, amendments to the provisions described above which are to the advantage of the participants require the prior approval of the Company in general meeting.

The Standard Chartered 1994 (No.1) Executive Share Option Scheme (the "No.1 Scheme")

General

The No.1 Scheme was approved by the Inland Revenue on 15 August 1994 under Schedule 9 to ICTA.

Eligibility

The Board may select any Director or employee of any member of the Group who is required to devote substantially the whole of his working time, and in any event at least 20 hours a week (25 hours in the case of a director), to the service of the Group (other than anyone within two years of retirement) to participate in the No.1 Scheme. For these purposes the Group consists of the Company, every subsidiary, and any 50 per cent. associate agreed with the Inland Revenue.

Grant of Options

Options to acquire (whether by purchase or subscription) Ordinary Shares may be granted:

- (i) in the six weeks beginning on the dealing day next following the date on which the Company announces its results for any period; or
- (ii) at any other time when the circumstances are considered by the Board to be sufficiently exceptional to justify the grant thereof.

No options may be granted more than ten years after the date of adoption of the No.1 Scheme. Options granted are personal to the option holder and, except on the death

of an option holder, may not be transferred. No payment is made for the grant of an option.

Price

The price payable for each Ordinary Share under an option will be determined by the Board before the grant of the option, provided that it shall not be less than the middle market quotation for an Ordinary Share, as derived from the Official List, for the dealing day immediately preceding the date of grant.

Limits

The No.1 Scheme is subject to the following limits:

- (i) on any date, the number of new Ordinary Shares over which options may be granted, when added to the number of Ordinary Shares issued or remaining issuable in respect of options granted in the previous 10 years under any executive share option scheme of the Company, may not exceed such number of Ordinary Shares as represents 5 per cent. of the issued ordinary share capital of the Company;
- (ii) the number of Ordinary Shares which may be issued on the exercise of options granted under all executive share option schemes of the Company in the period of four years from the date on which the No.1 Scheme is established may not exceed such number of Ordinary Shares as represents 2.5 per cent. of the issued ordinary share capital of the Company;
- (iii) the number of new Ordinary Shares over which options may be granted in the period of three calendar years beginning with 1994 or any successive period of three years, when added to the number of Ordinary Shares issued or remaining issuable in respect of options granted in the same period under the Company's employee share option schemes or issued in that period under any other employee share scheme of the Company, may not exceed 3 per cent. of the issued ordinary share capital of the Company;
- (iv) on any date, the number of new Ordinary Shares over which options may be granted, when added to the number of Ordinary Shares issued or remaining issuable in respect of options granted in the previous 10 years under the Company's employee share option schemes or issued in that period under any other employee share scheme of the Company, may not exceed 10 per cent. of the issued ordinary share capital; and
- (v) the total subscription price payable for Ordinary Shares under option granted in any 10-year period (leaving out options which have been exercised) to any executive under the Company's executive share option schemes may not exceed four times the higher of the total remuneration (expressed as an annual rate payable by the Group to the participant excluding benefits in kind) at that time and the total remuneration (excluding benefits in kind) paid by the Group to the participant in the preceding 12 months.

The limit in (iii) above may be exceeded on any date provided that the number of Ordinary Shares issued or remaining issuable in respect of options granted in any period of five years and the number of Ordinary Shares issued under the Company's other employee share schemes in the same period, does not exceed 5 per cent. of the issued ordinary share capital of the Company of which not more than 3 per cent. may be used for the Company's executive share option schemes.

Exercise of Options

An option may not normally be exercised unless a performance target specified by the Board before the grant has been satisfied. In normal circumstances, an option may not

be exercised earlier than three years, or more than ten years after the grant. However, early exercise is allowed if an option holder ceases to be employed by reason of death, injury, disability, redundancy or retirement or because the company or business for which he works is transferred out of the Group. If an option holder ceases employment for any other reason, his option will normally lapse unless the Board decides otherwise. Special provisions also allow early exercise in the circumstances of a takeover, reconstruction or winding-up of the Company. Ordinary Shares issued on exercise of options will rank *pari passu* with existing Ordinary Shares save as regards any rights attaching to Ordinary Shares by reference to a record date preceding the date of allotment. The Company will apply for the Ordinary Shares to be admitted to the Official List.

Variation of Capital

In the event of certain increases or variations in the share capital of the Company, the Board may make such adjustments as it considers appropriate to the number of Ordinary Shares under option and to the price at which they may be acquired.

Amendments

The Board may at any time amend the No.1 Scheme. However, the prior approval of the Company in general meeting must be obtained in the case of amendments to the advantage of option holders except where the amendment is a minor one to benefit the administration of the No.1 Scheme, or is an alteration or addition to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or any member of the Group.

The Standard Chartered 1994 (No.2) Executive Share Option Scheme (the “No.2 Scheme”)

General

The No.2 Scheme is not approved by the Inland Revenue as it is designed, primarily, for non-UK resident employees.

The rules of the No.2 Scheme are in all material respects the same as those of the No.1 Scheme except where specified otherwise.

Eligibility

The Board may select any Director or employee of any member of the Group who is required to devote the whole or substantially the whole of his working time to the service of the Group to participate in the No. 2 Scheme.

Inland Revenue requirements

The No.2 Scheme does not include those provisions required by the Inland Revenue as a condition of approval of the No.1 Scheme.

Cash Alternative

Where an option has been exercised under the No.2 Scheme, the Board may, instead of issuing Ordinary Shares, elect to pay cash to the participant concerned. The amount to be paid shall be equal to the amount by which, in the opinion of the Board, the market value of shares subject to the option (as determined by reference to the middle market quotation for such shares derived from the Official List on the day before the option was exercised (after deduction of tax or similar liabilities)) exceeds the exercise price.

The Standard Chartered Executive Share Option Scheme (the "Executive Scheme")

The Executive Scheme was replaced by the No. 1 Scheme. However, options remain outstanding under the Executive Scheme. The option provisions of the Executive Scheme are summarised as follows:

- (i) 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 part of the Group's business to a company which is not associated with the Company or the sale of a company outside the Group. Except in these circumstances options normally lapse when the optionholder ceases to be employed within the Group. There are also rights of early exercise in the event of a take-over of the Company or its reconstruction or winding-up.
- (ii) 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 Official List.
- (iii) 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.

The Standard Chartered 1994 Sharesave Scheme (the "Sharesave Scheme")

General

The Sharesave Scheme was approved by the Inland Revenue on 11 August 1994 under Schedule 9 to ICTA.

Eligibility

In order to be eligible an individual must be a full-time director or employee of the Company or any subsidiary which the Board has resolved should participate on the date options are to be granted. An individual is a full-time director or employee for these purposes if he is obliged to devote not less than 16 hours per week to his duties with the Group. The Board may impose a service requirement which may not exceed five years. The Board has a discretion to nominate employees who do not satisfy the above conditions, such as part-time workers, to participate in the Sharesave Scheme.

Grant of Options

Options to acquire Ordinary Shares (whether by purchase or subscription) may normally be granted only in the period of six weeks beginning on the dealing day next following the date on which the Company announces its results for any period. No options may be granted more than ten years after the date of adoption of the Sharesave Scheme. Options granted under the Sharesave Scheme are personal to the option holder and, except on the death of an option holder, may not be transferred.

Savings Contracts

An eligible employee who applies for an option under the Sharesave Scheme must also enter into an Inland Revenue approved savings related contract (requiring monthly

payments of currently not less than £10 and not more than £250). Ordinary Shares may only be acquired under the Sharesave Scheme on exercise of the option using the payments under this contract. Payment will be taken as including the bonus payable under the savings contract, unless otherwise decided by the Board.

Price

The price payable for each Ordinary Share under an option shall be determined by the Board provided that it shall not be less than 80 per cent. of the middle market quotation for such shares, so derived from the Official List, on the dealing day last preceding the period of five days ending with the date on which invitations to apply for such options are made.

Limits

The Sharesave Scheme is subject to the following limits:

- (i) the number of new Ordinary Shares over which options may be granted in the period of three calendar years beginning with 1994 or any successive period of three years, when added to the number of Ordinary Shares issued or remaining issuable in respect of options granted in the same period under the Company's employee share option schemes or issued in that period under any other employee share scheme of the Company, may not exceed 3 per cent. of the issued ordinary share capital of the Company; and
- (ii) on any date, the number of new Ordinary Shares over which options may be granted, when added to the number of Ordinary Shares issued or remaining issuable in respect of options granted in the previous 10 years under the Company's employee share option schemes or issued in that period under any other employee share scheme of the Company, may not exceed 10 per cent. of the Company's issued ordinary share capital.

The limit in (i) above may be exceeded on any date provided that the number of Ordinary Shares issued or remaining issuable in respect of options granted in any period of five years and the number of Ordinary Shares issued under the Company's other employee share schemes in the same period, does not exceed 5 per cent. of the issued ordinary share capital of the Company.

Exercise of Options

An option granted under the Sharesave Scheme may not normally be exercised until the option holder has completed his savings contract (which will usually be five years from the date of taking out the savings contract but can be seven years if the Board permits and the option holder so elects on the date of taking out the savings contract) and then not more than six months thereafter. Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement (including early retirement if the option holder retires more than three years after the date of grant) or because the company or business which employs the option holder is transferred out of the Group. If an option holder ceases employment for any other reason, his option will lapse. Special provisions also allow early exercise in the event of a takeover, reconstruction or winding-up of the Company. Ordinary Shares issued on exercise of options will rank *pari passu* with existing Ordinary Shares save as regards any rights attaching to Ordinary Shares by reference to a record date preceding the date of allotment. The Company will apply for the Ordinary Shares to be admitted to the Official List.

Variation of Capital

In the event of certain increases or variations in the share capital of the Company, the Board may make such adjustments as it considers appropriate to the number of Ordinary Shares under option and to the price at which they may be acquired.

Amendments

The Board may at any time amend the Sharesave Scheme in any respect, provided that the prior approval of the Company in general meeting is required for an amendment which is to the advantage of option holders. This restriction shall not apply if the amendment is a minor one to benefit the administration of the Sharesave Scheme, or is an alteration or addition to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders, or any member of the Group.

The Standard Chartered Savings Related Share Option Scheme (the “Savings-related Scheme”)

The Savings-related Scheme was replaced by the Sharesave Scheme. However, options remain outstanding under the Savings-related Scheme. The option provisions of the Savings-related Scheme are summarised as follows:

- (i) 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.
- (ii) 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 Official List.
- (iii) 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 Board subject to the Company's auditors confirming in writing that such adjustment is in their opinion, fair and reasonable.

The Standard Chartered Restricted Share Scheme (the “Restricted Scheme”)

Eligibility

The trustees of the Restricted Scheme (the “Trustees”) may grant an award to any employee or Director or any subsidiary who is required to devote the whole or substantially the whole of his working time to the service of the Company or an subsidiary.

Grant of Awards

The right to purchase Ordinary Shares in the Company (an “Award”) may only be

- (i) in the six weeks beginning on the dealing day next following the date on which the Company announces its annual or half-yearly results; or
- (ii) at any other time when the circumstances are considered by the Trustees to be sufficiently exceptional to justify the grant thereof.

No Award may be granted more than ten years after the date of establishment of the Restricted Scheme. Awards granted under the Restricted Scheme are personal to the participant and, except on the death of a participant, may not be transferred.

Price

The price at which Ordinary Shares may be purchased by the exercise of an Award shall be determined by the Trustees before the grant thereof.

Limit

Unless the Trustees decide otherwise, the market value of Ordinary Shares in the Company, subject to unexercised Awards granted to any one participant may not exceed four times the higher of:

- (i) £100,000; or
- (ii) his total remuneration (excluding benefits in kind) expressed as an annual rate payable by the Company or any subsidiary as at that time; or
- (iii) the total remuneration (excluding benefits in kind) paid by the Company or any subsidiary to the participant in the preceding twelve months.

Exercise of Awards

An Award may be exercised in such form and manner as the Trustees may from time to time prescribe. In normal circumstances an Award granted under the Restricted Scheme may not be exercised earlier than three years after the grant. However, early exercise of an Award is allowed if a participant ceases to be employed by reason of death, injury, disability, redundancy or retirement or because the company or business for which he works is transferred out of the Group. If a participant ceases employment for any other reason the Award will normally lapse unless the Trustees decide otherwise. Special provisions also allow early exercise in the circumstances of a takeover, reconstruction or winding up of the Company. Where the Award is exercised prior to the fourth anniversary of the grant of the Award or after the fourth anniversary but prior to the fifth anniversary of the grant of the Award the number of Ordinary Shares may not, when added to the number of shares in respect of which the Award has previously been exercised, exceed one-half and three-quarters respectively of the number of Ordinary Shares originally subject to the Award.

Variation of Capital

In the event of certain increases or variations in the share capital of the Company, the Trustees may make such adjustments as they consider appropriate to the number of Ordinary Shares in respect of which any Award granted may be exercised, the price at which they may be acquired and where an Award has been exercised but no Ordinary Shares transferred the number of Ordinary Shares which may be so transferred and the price at which they may be purchased.

Amendments

The Trustees may at any time alter or add to any provisions of the Restricted Scheme or the terms of any Award granted under it.

10. Subsidiaries

The following table comprises 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 31 December 1994 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 Latest Practicable Date	Field of activity
Standard Chartered Bank 1 Aldermanbury Square London EC2V 7SB	England	1,062,023,057 stock units of £1 each	Commercial banking
Standard Chartered Bank Malaysia Berhad 2 Jalan Ampang 50450 Kuala Lumpur Malaysia	Malaysia	125,000,000 ordinary shares of MYR1 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

11. Litigation and Other Matters

- (a) 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. Both parties have appealed to the Arizona Court of Appeals. Judgment is awaited. The Directors remain confident that the Group has a good case.
- (b) During 1992, the Group, in common with some other financial institutions identified deficiencies in its assets in India as a result of certain transactions in the securities markets involving breaches of the Group's procedures, frauds and the failure of various counterparties to meet their contractual obligations. Provision totalling £272 million were raised in respect of the potential exposure, which the Group assessed as at 31 December 1992 at £343 million.

Between September 1993 and the present, the Group has recovered a total of £84 million including interest from various counterparties, either in civil court proceedings or as a result of negotiated or mediated settlement. Of this, a total of £38 million including interest is subject to appeal by various counterparties. The Group continues to support criminal prosecutions and to pursue other civil actions to recover the remaining assets in question. There are also claims against the Group, amounting to £34 million plus interest and costs, all of which are being vigorously defended. The situation in India is inevitably complex and it will be some years before the final outcome can be determined and existing or any further claims and counterclaims resolved.

Save as disclosed above, 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) entered into by members of the Group within two years preceding the date of this document are or may be material:

- (a) the Placing Agreement referred to in Part IV of this document; and
- (b) an agreement dated 9 December 1993 between the Company, Schroders, Cazenove and Salomon Brothers International Limited relating to the placing of the Existing Preference Shares, certain details relating to which were set out in Part IV of the listing particulars of the Company dated 9 December 1993.

13. General

- (a) The numbers of employees of the Group as at 31 December 1994, 1993 and 1992 were 28,227, 30,493 and 30,371, respectively.
- (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 SBC Warburg and legal, accounting and other professional fees, are estimated to amount to £1 million (exclusive of value added tax) and are payable by the Company.
- (c) Each of Schroders, Cazenove and SBC Warburg is regulated by 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 31 December 1994, 1993 and 1992 have been delivered to the Registrar of Companies.
- (e) KPMG, Chartered Accountants and Registered Auditors, 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 31 December 1994, 1993 and 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) The issue price of 101.053p per Preference Share includes a premium of 1.053p per Preference Share.

14. Documents for Inspection

Copies of the following documents 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 three years ended 31 December 1994, 1993 and 1992;
- (c) the Company's unaudited interim report for the six months ended 30 June 1995;
- (d) the Placing Agreement described in Part IV above;
- (e) the placing agreement relating to the Existing Preference Shares referred to in section 12 above;

- (f) the listing particulars of the Company dated 9 December 1993;
- (g) the trust deeds constituting the items of loan capital referred to in section 5 above;
- (h) the service agreements referred to in section 8 above; and
- (i) the rules of the share option schemes referred to in section 9 above.

REGISTERED OFFICE OF THE COMPANY

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BROKERS TO THE PLACING

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