# Standard Chartered

REPORT AND ACCOUNTS 1990

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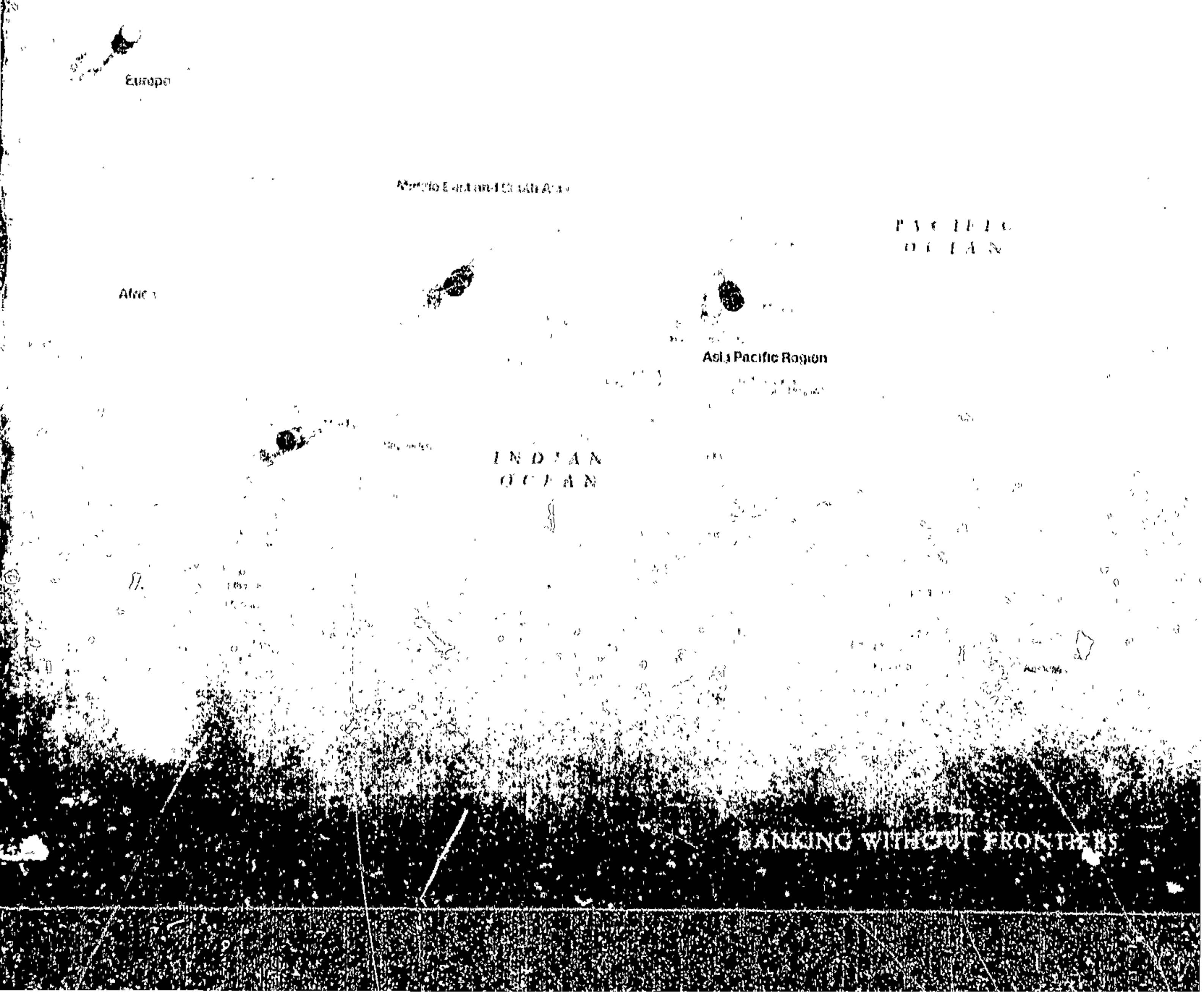
STANDARD CHARTERED REPORT AND ACCOUNTS 1990



## BANKING WITHOUT FRONTIERS

**Standard Chartered operates in more than 50 countries and has developed a range of products and services which span the globe. This report illustrates the breadth and strength of our multinational network and our ability to offer our customers banking without frontiers.**

## CONTENTS

# 1990 Financial Summary

| RESULTS | 1990<br>£ million | 1989<br>£ million |
|---|---|---|
| Profit before charge for debts:* | | |
| Continuing businesses | 358 | 397 |
| Total Group | 313 | 390 |
| Profit before tax | 150 | 67 |
| Earnings | 30 | (35) |
| INFORMATION PER SHARE | Pence | Pence |
| Earnings per share | 13·0 | (15·2) |
| Dividends per share | 20·0 | 35·0 |
| CAPITAL RATIOS | % | % |
| Basle convergence ratios: | | |
| Tier 1 capital | 5·4 | 4·7 |
| Total capital | 10·7 | 9·2 |
| Equity to assets ratio | 4·6 | 4·1 |

*Analysis shown on page 50

# Statement by the Chairman and Group Chief Executive

I said in May and August last year that it would be unwise to express anything but caution about the likely outturn for 1990. Since then, we have seen recession tighten its grip on some of the economies of the west and a major conflict in the Gulf.

These influences, combined with uncertainties in the financial markets, persuaded us to constrain growth in our balance sheet. Although this adversely affected profits, we believe that our shareholders' interests were best served by limiting credit and other counterparty risks in the balance sheet.

We believe that the actions we started as early as two years ago to improve our retail deposit base, to manage our balance sheet more tightly, to refocus the Group and to reskill our people were the right ones.

Standard Chartered faces the same challenges as many other banks but a large proportion of our business is in the better performing economies covered by our network. In addition our total capital ratio of 10·7 per cent at the end of 1990 was well above the Basle ratio of 8 per cent.

Our Group strategy of focusing on core skills, on core areas of product excellence, and on core locations, is bringing good returns in many areas. We have the advantage of our multinational franchise which stretches across Asia and Africa and which has continued to contribute strongly to our performance in 1990. We are a leading foreign bank in the Asia Pacific Region in terms of profitability and quality of service, our extensive retail network, and our regional and global coverage. In many of the countries of Africa, we are market leaders; and in Pakistan, India and other countries in that region, we are performing well.

Our treasury, international, and correspondent banking businesses (including those in the UK and the USA) also performed well and deliver a breadth and quality of service which few competitors can match. Our UK finance house, Chartered Trust, is a high performer in its market although in 1990 it made a reduced profit in cyclically adverse conditions. We have managed down our exposure to problem country debt by taking advantage of market opportunities as they arose.

I should have liked to report that results from corporate lending in the UK, the USA and Australia, were just as positive, but they were not. In each of these countries, unpaid interest and bad debts rose as economic conditions worsened, and our results were poor. But we have reduced our exposure to certain large corporate accounts which we believe carry greater risks than we are comfortable with;

we have continued to identify opportunities for profitable business which complement our principal strengths in Asia and Africa; and we have moved strongly away from an earlier strategy which led us to compete, at a heavy price, with local banks for purely domestic business.

Our performance in these three countries accounted for the greater part of the bad debt charge of £175 million. Of this, £106 million is for the UK, £27 million is for Australia and £42 million for other areas of the Group. The Group profit before tax was £150 million in 1990. Since much of our business is overseas, our profits expressed in sterling are dependent upon the values of the currencies concerned which were generally lower in 1990 than in 1989.

In our continuing businesses costs have risen by only 2·6 per cent, but because of reduced income from cut-backs on lending and suspensions of interest on problem accounts our cost income ratio was 64·4 per cent. We are maintaining our drive to reduce costs and improve this ratio in the coming years.

As explained elsewhere in this document, the charge for taxation was high in relation to profits for a number of reasons, some of which are abnormal. Losses in some countries reduced total Group profits, but not the tax on profits made in other countries; there was a charge for UK tax (representing ACT on the dividend); and there were overseas tax credits which we were not able to use.

After very careful consideration, your Board has concluded that it is not in the longer term interests of the Group or its shareholders that the dividend should be maintained at last year's level of 35p net per share in total, a level set in 1986 before the Group's earning power had been impaired by the large problem country debt provisions of approximately £950 million. While the Directors recognise the importance which shareholders place on the dividend stream arising from their investment, they believe that it is equally important that the dividend is not set at a level which unduly restricts the retained earnings available to generate growth in the earnings capability of the business.

Accordingly, your Directors are recommending payment of a final dividend of 7·5p net (1989: 22·5p) to make a total dividend for the year of 20p net (1989: 35p). In future years the Directors intend to pursue a progressive dividend policy linked to the earnings performance of the Group; it is their intention that the relationship between interim and final dividends would be broadly similar to previous years.

We are seeking shareholder approval to offer them the option of taking additional shares instead of cash dividends.

**Progress in 1990**

The co-operation agreements with our friends at Westdeutsche Landesbank are going well and we are putting increasing business through each other's networks. Chartered WestLB, our joint venture merchant bank, has opened an office in Düsseldorf and the transfer to WestLB of our Continental European commercial banking operations has now been completed; our Swiss operation based in Zürich continues to be a valuable part of our Group network.

In May we carried out a complete review of our loan portfolio worldwide. We reduced our exposure to certain sectors and prepared for the economic difficulties we saw coming in the second half of the year. The problem accounts have hardly changed in composition since then. I have every confidence in our credit management team and in our strategies to improve our asset-based business, improve our risk profile and drive for higher fee earnings. Further training in credit management techniques is rapidly upgrading the quality of our credit assessment.

The expensive investments made in information technology over the last four years have given us a competitive array of transaction processing and delivery systems in our major business units. These are now being deployed in other areas of the Group to support our emerging global businesses.

Training and development were given high priority in 1990. All our 300 senior managers are taking part in our highly successful "Focus 300" management development programme, designed to improve strategic thinking and to stimulate innovative thought and action. The programme is being extended to cover our top 2,000 people. Middle management development has been accelerated. New objective setting and more effective appraisal systems are in place, and our reward systems have been changed to relate the pay of our managers much more closely to performance, both in raising profitability, and in creating opportunities to exploit business across the network.

We have continued to recruit senior professionals throughout the Group including new heads of Personnel, Credit Management and Strategic Development. Others have been promoted from within; notably David Moir to the new position of Regional Director, Asia Pacific, and Michael Brogan as Managing Director of our trust, custodial, fund management and private banking businesses.

The Board was saddened by the sudden death of Robert Holmes à Court and we miss his wise counsel and good humour. Bill Brown became a Deputy Chairman in addition to being Deputy Group Chief Executive. Geoffrey Williams joined us from Schroders as the Group Executive Director responsible for merchant banking. Lord Pennock and Philip Robinson will be retiring as Directors after the Annual General Meeting in May. Both have been members of the Board for many years, serving on a number of Board committees; Lord Pennock has been a Deputy Chairman since 1989 and Philip Robinson has been Chairman of the Group's Audit Committee; I am grateful to them for their major contributions.

Having sold our former head office in Bishopsgate at a good price, we moved to our new headquarters at Aldermanbury Square last October. The transition has gone smoothly and we are enjoying a more modest, cost effective and efficient environment.

**Future Prospects**

In this statement I have highlighted the issues we face and the progress we have made. There are challenges ahead and, while I see no quick recovery for the economies of the UK, the USA and Australia, we are well placed in Asia and Africa where in general the economies are buoyant and also in the Gulf where we see renewed opportunities for our businesses. Moreover, competition is easing as some banks decrease their commitments outside their domestic markets.

It is natural to want results immediately which are tangible, visible and measurable from a programme of fundamental change. We are committed to our strategic goals, to focus on our strengths, improve our underlying profitability, manage our capital base, tackle our problem country debt and develop our performance-based culture. We are making good progress and, together with the continuing enthusiasm of our worldwide staff and management and of my Board colleagues, I am confident that we shall succeed.

RODNEY GALPIN
12 March 1991

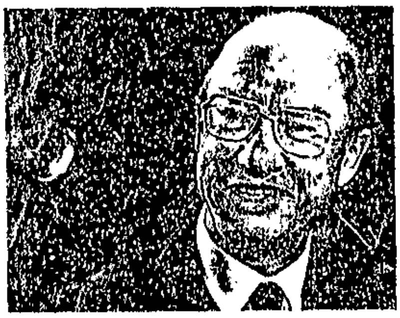
# Management Review

**In the review which follows, each of our Group Executive Directors expands upon an issue raised by the Chairman in his Statement.**

**Bill Brown is deputy to Rodney Galpin and has responsibility for inspection; Geoff Armstrong heads the development function which comprises strategy, personnel, information technology, communication, the secretariat and legal affairs.**

*What steps have we taken to improve our risk management profile?*

We have developed a clear credit strategy, following last year's review of our portfolio. We are progressively reducing the risks we face to a manageable size; we have new senior credit management in place; we have better training in



credit assessment techniques, and have tightened up our control and accountability procedures

**Bill Brown**

*Why are you laying so much stress on management development and training?*

For the results we are getting out of it. We are committed to turning Standard Chartered into a high performing multinational Group. That requires us to train and

motivate our staff to the best international standards. The Focus 300 programme has already generated 24 team projects which will be implemented over and above the participants' normal jobs. That way, we stretch their knowledge and experience and they contribute real improvements to the Group's business while they learn.

We are now extending the learning programme to our next 2,000 people around the world, with the clear purpose of sharpening our decision-making and improving our customer service.

**Geoff Armstrong**

# Management Review

**John MacKenzie is responsible for our developing fee-earning businesses; Alan Orsich heads our global treasury, metals trading, correspondent banking and problem country debt operations; Richard Stein is the Group's finance director; Malcolm Williamson heads our banking operations, including trade finance and risk management; and Geoffrey Williams is responsible for our merchant banking interests.**

*Why are you emphasising financial services?*

This is a response to a very real demand which we are in an exceptionally good position to supply. The sustained high growth rates of the Asian economies are attracting ever larger flows of capital, not only into the established markets but now into the newer, smaller but fast expanding stock exchanges; and not only from the West but from surplus countries in the region such as Japan, Taiwan and Korea. Practice and regulation in many of these countries is still complicated in terms of foreign exchange and remittances, taxation, capital flows themselves, dividends, registration, title, transfer and secure custody and management of scrip. With our established presence, reputation and depth of experience and our network throughout the region, we are particularly well positioned to facilitate these investment flows

to the mutual benefit of the markets and the investors. We are building an integrated organisation to cater to all these demands with an emphasis on quality of service by enhancing technical and management skills, systems and communications. I believe the scope for increasing capital-efficient fee income through these services is substantial.

John MacKenzie

*Treasury has been a major earner for the Group for a long time. How well-equipped are you to meet increasingly strong competition?*

We're not complacent, but we have a fine track record and a lot of good things going for us. We are a world leader in exotic

currencies, and in the *Euromoney* survey for last year, we were rated seventh in the world in foreign exchange. We see no reason why we can't improve on that with the continuous stream of new products we have under development. We are innovators and inventors of new financial products which are offered by the 20 dealing centres we have around the world. We take pride in serving our customers' global Treasury needs wherever they are. The Standard Chartered team is dedicated to sharing ideas and best practice wherever our global members happen to be.

Alan Orsich

*How do you control the Group's capital ratios?*

Our total capital ratio depends on two components: the level of the Group's capital, and the amount of risk weighted assets used by our businesses. We maintain control over it by determining the level of assets that the Group should carry on its capital, making allowances for likely changes in exchange rates, which affect the sterling amount of the assets, but have much less effect on the capital. We allocate the usage of these resources to our businesses bearing in mind the opportunities open to them, the trade-off between

reward and risk, and the incidence of technical factors such as taxation; and we adjust the usage of resources by each business as circumstances change.

**Richard Stein**

*Our operations in the UK, Australia, and to a lesser extent the United States continue to lose money. How are you tackling this problem?*

We are refocusing our banking operations in all three places so that we concentrate on our

strengths in Group core services. These are trade finance, servicing large global relationships, treasury, correspondent banking and some fee-earning services. We will not offer full service banking in what are already over-banked markets, but we will seek out and serve those customers needing more sophisticated financial services of a multinational character. In Australia, we intend to buy out the minority shareholders and recapitalise the business. Major cost reductions have been made in all three countries and we took decisive action early on in the downturn of the economies, to clean up our loan books and to stop taking on new domestic loan business.

**Malcolm Williamson**

*What prospects do you see for Chartered WestLB, your jointly-owned merchant bank?*

Chartered WestLB produced excellent results in 1990, based largely on the success of the niche businesses they have built up over the years. Now that their new office in Dusseldorf is fully operational, I understand that a good deal of corporate advisory work is coming their way from WestLB connections and other German clients. Domestic corporate finance in the UK is likely to be slow, but so far in 1991, results from their other

areas of activity including the newest niche business, forfaiting, appear encouraging. I am therefore optimistic about Chartered WestLB's prospects.

**Geoffrey Williams**

# Review of Operations

**Our Group operates in more than 50 countries, with particular strengths in Asia and Africa. In some markets we sell a wide range of banking and financial services; in others, we tailor specific services for a defined segment of the market.**

**One of our traditional services is trade finance, and we are continuing to structure it as a core part of our worldwide banking business. The cover of our Annual Report shows that we view banking as a business without frontiers. The photographs in the following review illustrate just three examples of those seamless business connections.**

## ASIA PACIFIC REGION

| | 1990 £million | 1989 £million |
|---|---|---|
| Profit before bad debts | 178·5 | 177·1 |
| Charge for bad debts | (25·4) | (67·5) |
| Trading profit | 153·1 | 109·6 |
| Associates | 2·5 | 3·0 |
| Profit before taxation | 155·6 | 112·6 |
| Total Assets | 10,031 | 10,591 |
| Total Advances | 6,481 | 7,3[illegible]3 |

Number of offices 234

### East Asia

Our trading profits in Singapore were excellent, taking advantage of a strong economy with a growth rate of around 8 per cent. All divisions did well and results were enhanced by


regional business flows across our Asia Pacific network. We continued with our branch efficiency programme to improve the quality of service we offer our many customers.

In Malaysia, the economy enjoyed a real GDP growth of around 9 per cent and the general outlook for 1991 is good with domestic demand providing the major stimulus.

Manufacturing and construction were the leading growth sectors in 1990. Our major branches throughout the country enjoyed increased business and we attracted new customers in the trade-related sector.

We achieved record profits in Brunei Darussalam and Thailand, and improved results from Indonesia and Japan. We re-opened branches in Bandung and Medan in Indonesia, and we returned to Vietnam, after an absence of 15 years. Recognising the opportunities in Taiwan, we opened a new branch at Kaoshiung.

### Hong Kong and China

In Hong Kong, our consumer banking operations moved ahead strongly and our 115-branch operation had an outstanding year. The growth in retail products surpassed all targets, with credit cards and mortgage business particularly prominent.


This achievement was recognised by the Hong Kong Management Association's marketing excellence award, which we won across several industry groups.

The slowing down of the economy in Hong Kong meant that corporate business was below expectations. We continued to manage our exposure to the corporate sector actively.

In China, our business continued to expand and we opened new offices in Hainan and Hangzhou, making our network the largest of any foreign bank. The Chairman visited China during the year and had talks with the premier, Mr. Li Peng, and other senior officials.

**AUSTRALIA**

| | 1990 £million | [illegible] |
|---|---|---|
| Loss before bad debts | (7·7) | [illegible] |
| Charge for bad debts | (26·9) | [illegible] |
| Loss before taxation | (34·6) | [illegible] |
| Total Assets | 232 | [illegible] |
| Total Advances | 224 | [illegible] |
| Number of offices [illegible] | | |

Most industrial and financial institutions in Australia were affected as the economic downturn gathered momentum, and we have made a significant provision for bad and doubtful debts.

All operations are under close scrutiny and our banking and merchant banking activities have been substantially reduced. Standard Chartered Finance Limited and the operations of our stockbroking associate, Pring Dean McNall Limited, have been sold.

Our business is now directed toward trade flows to and from Asia, and the migration of people and capital to Australia.

**NORTH AMERICA**

| | 1990 £million | [illegible] |
|---|---|---|
| [illegible] before bad debts | (4·9) | [illegible] |
| Charge for bad debts | (6·4) | [illegible] |
| Trading profit/(loss) | (11·3) | [illegible] |
| [illegible] | (0·2) | [illegible] |
| Loss before taxation | (11·5) | [illegible] |
| Total Assets | 1,039 | [illegible] |
| Total Advances | 561 | [illegible] |
| Number of offices [illegible] | | |

**United States**

Operations in the United States were affected by a downturn in the economy which intensified into recession on a regional basis as the year progressed, although the results were not affected by the same level of bad debts experienced by the UK and Australia. Treasury showed a reduced level of profits and Commercial Banking made a loss as a result of increased provisions for bad debts and suspension of interest. Profits from our asset based finance business continued to grow and we received two awards at the National Commercial Finance Association annual convention in October. Further measures have been taken to improve efficiency and reduce costs.

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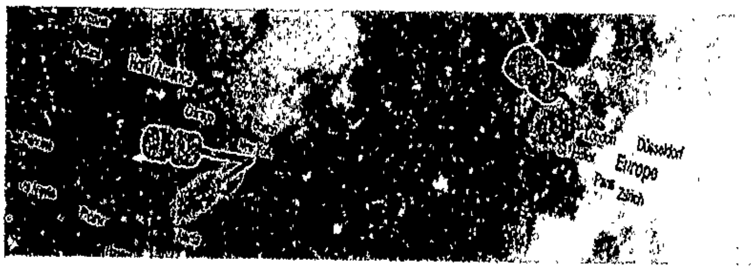
# Review of Operations

**Canada**

In Canada, our business has been reshaped completely and retail outlets have been opened in Vancouver and Toronto. These units are precisely modelled on our Personal Financial Centres in Hong Kong and are staffed by, and cater for, Asians who have made Canada their home. Both branches have made promising starts in attracting business locally, and from the flow of resources across the Pacific.




**UNITED KINGDOM AND EUROPE**

| | 1990 £million | 1989 £million |
|---|---|---|
| Profit before bad debts | **127·1** | 150·0 |
| Charge for bad debts | **(107·8)** | (40·1) |
| Trading profit | **19·3** | 109·9 |
| Associates | **7·7** | – |
| Profit before taxation | **27·0** | 109·9 |
| Total Assets | **8,036** | 8,783 |
| Total Advances | **4,369** | 4,905 |

Number of offices: 140

**UK Banking**

The sharp downturn in economic activity in the UK has significantly increased the previously modest level of non-performing debt in our corporate loan portfolio. Interest due on this debt has been suspended and bad debt provisions of £106 million have been made to cover expected losses on specific accounts. We have taken opportunities to dispose of a number of venture capital stakes at an overall profit of £25 million.

In conjunction with Group Credit Management, problem accounts will continue to be vigorously managed throughout 1991, which will be another difficult year for the UK Corporate sector. Rationalisation of our UK Banking activities has led to a reduction in staff numbers during the course of the year.

Standard Chartered Offshore Limited which comprises operations in Jersey, Guernsey and the Isle of Man, made a positive contribution, as did our wholly-owned subsidiary Standard Chartered Leasing which continued to expand its range of products, services and its customer base in the UK, France and Germany.

**Chartered Trust**

Our finance house subsidiary, a recognised market leader, outperformed many of its competitors by achieving a profit in increasingly adverse trading conditions, where high interest rates and reduced levels of demand dominated the market-place. Although the deceleration in motor vehicle sales limited financing opportunities, our contract hire business performed strongly. Arrears and bad debt experience showed significant deterioration as the year progressed, both in the personal and corporate sectors.

In June, Chartered Trust launched the largest securitisation of non-mortgage assets in the UK financed by a public debt issue. A new retailer services division was started, offering a range of card-based products to retailers and their customers. Compass Credit was sold at a profit to Cattle's (Holdings) p.l.c. in December. Early in 1991, Chartered Trust linked up with Honda UK Limited to provide finance facilities to their motor dealer network.

**Europe**

Our banking operations in Continental Europe now comprise our Swiss subsidiary based in Zürich. At the end of 1989, we agreed to sell our other European businesses to Westdeutsche Landesbank and the integration of our former commercial banking network into WestLB (Europa) AG has now been completed.

**AFRICA**

| | 1990 £million | 1989 £million |
|---|---|---|
| Profit before bad debts | **37·5** | 41·3 |
| Charge for bad debts | **(5·0)** | (9·5) |
| Trading profit | **32·5** | 31·8 |
| Associates | **0·3** | 5·0 |
| Profit before taxation | **32·8** | 36·8 |
| Total Assets | **1,052** | 1,193 |
| Total Advances | **608** | 664 |

Number of offices 268

Zimbabwe was once again a major contributor to profits but the banking and financial services environment was dominated by monetary policy changes by the Central Bank. We were the first bank in Zimbabwe to introduce automated teller machines and these are proving popular with our customers.

Despite a difficult business climate in Kenya, financial performance was strong, and a radical restructuring and refocusing of our business is taking place. There was good business growth in Botswana, a successful public flotation of shares in our Swaziland subsidiary and valuable contributions from several other countries. Branch computerisation projects have gone well in Kenya and Zambia.

As in other parts of the Group additional resources have been concentrated on staff training in Africa, and training facilities have been enhanced in a number of countries. Staff have attended training courses locally and regionally, senior staff have joined Group courses run centrally in the UK, and selected personnel have undertaken training attachments in other parts of the world, so that best practice in one region may be transferred to another.

**MIDDLE EAST AND SOUTH ASIA**

| | 1990 £million | 1989 £million |
|---|---|---|
| Profit before bad debts | **27·3** | 26·8 |
| Charge for bad debts | **(3·2)** | (9·4) |
| Trading profit | **24·1** | 17·4 |
| Associates | **1·4** | 1·5 |
| Profit before taxation | **25·5** | 18·9 |
| Total Assets | **930** | 964 |
| Total Advances | **564** | 571 |

Number of offices 58

In the first half of 1990, our business in the United Arab Emirates benefited from buoyant economic conditions and a refocusing of our strategic direction. Increased corporate and treasury activity led the way supported by newly established consumer finance divisions in Sharjah, Al Ain and Dubai achieving immediate success. Conditions in Bahrain, Oman and Qatar remained dull.

The Gulf crisis placed a strain on banking systems and we worked closely with the Authorities to maintain stable markets: considerable depositors' funds were moved to safer havens and our operations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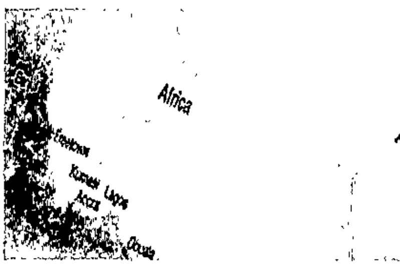
in the Channel Islands benefited appreciably. Throughout the whole of the crisis period, our branches remained fully staffed and operations continued uninterrupted with the Group worldwide maintaining a pro-active attitude to the support of Gulf trade. Our staff are to be congratulated on the way they and their families coped with the crisis. Whilst business activity naturally suffered, our results were only marginally affected and we are now in a strong

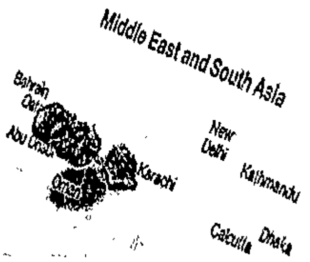



position to exploit post-war opportunities.

In India we restructured our business and the new management team pushed up profits at the local level by 69 per cent despite continuing political instability and a deteriorating economic environment. A similar restructuring is now taking place in Sri Lanka and a second branch was opened in December. In Bangladesh, continuing economic and political problems make business conditions difficult.

Our operations in Pakistan once again produced a very good performance with local profit up by 49 per cent over 1989.

Growth in interest revenue and cost containment were important features. Our management team continues to show considerable drive and flair. A new leasing company, Standard Chartered Mercantile Leasing Co. Ltd. was established in Lahore on 8 January 1991 in which the Bank holds 30 per cent of the equity.




**GLOBAL BUSINESSES**

The cornerstone of our Group strategy is to play to our strengths and migrate best practice across our multinational network. The development of existing and new global products and services is the key to realising the potential of these businesses. The financial results of the global businesses are included in the above geographical reviews.

### Treasury

The advance of technology has resulted in the instant transmission of market information on a global scale, and this has provided the opportunity for us to develop new skills to exploit increasingly volatile market conditions. We are one of the world's leading banking groups in foreign exchange and treasury products. Through our global network of over 20 dealing centres, we continued to perform strongly despite difficult trading conditions, particularly in the foreign exchange markets.

Our strong, diversified deposit base, coupled with the centralised management of our asset/liability requirements, made us a net placer of funds in the inter-bank market in 1990.

During the year, we appointed an Area Treasurer for Southern Africa based in Botswana, and we continued the migration of treasury expertise and products to the developing countries of Africa.

In Singapore, we introduced the first phase of a new computer system which, by the end of 1991, will cater for all our Treasury activities in the foreign exchange and money markets. The new dealing room in Hong Kong, which has 80 dealer positions, enjoyed increased volumes in speciality products; foreign exchange trading experienced moderate growth. The dealing room in Thailand was again expanded and upgraded.

**International Banking**

International Banking Department had a very good year, operating from a very low cost base and concentrating on good quality cross-border lending.

The nature of the business is changing gradually so that there is less focus on straightforward medium-term lending and more on self liquidating trade-related business. More time and effort has been spent visiting our customers, and in particular we have successfully initiated a major calling programme on first class multinational companies with a view to financing their exports.

Our syndications activities have continued to function well and we have participated as lead manager or arranger in a number of high profile transactions.

**Correspondent Banking**

We have a global relationship responsibility for 3,000 banking institutions and maintain 37,000 agency arrangements with branches of other banks, through offices in 12 major financial centres, under the aegis of our Financial Institutions Group.

In its first year as a profit centre, we have placed emphasis on developing the quality and depth of the network of relationship managers, examining the competitiveness of the product range, co-ordinating the marketing and sales effort, and developing fully supportive information systems.

Our focus has been directed to account and clearing services, treasury and foreign exchange, trade finance and securities custody. This required close liaison with the deliverers of those products and emphasised our role in cross-selling across our network. The contraction of overseas branches of many of our competitors should provide further opportunities to expand our correspondent banking relationships.

**Mocatta**

In a climate where many have cut back their activities or have withdrawn from the precious metals industry, Mocatta & Goldsmid's performance has been extremely good. A policy of investment, diversification, prudent financial practice and improved customer service is providing a larger slice of available business. A branch office was opened in Singapore and the capital of our wholly-owned subsidiary, Mocatta Commercial, has been increased by £2 million.

**Chartered Financial Holdings**

In 1990, we determined to group our widespread trust, custodial, asset management and private banking activities under the same global umbrella. We aim to develop a fee-driven business which will deliver high quality products and services to our customers worldwide. Our customer base is truly international providing us with

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# Review of Operations

considerable business opportunities with the growth of capital investment and trade flows. The infrastructure for the new grouping is scheduled for completion by July this year and the management team is now being put into place.

Standard Chartered International Trustee Limited had a successful year: major custodial business was won – in Japan, Korea and Taiwan in particular – often against stiff competition from US based custody firms.

Scimitar Asset Management's progress was slowed somewhat by a particularly volatile year in global equity and fixed interest markets. However, business prospects have been strengthened in the UK, the USA and the Asia Pacific, by concentrating primarily on institutional, private client and mutual fund services.

Standard Chartered Bank (Switzerland) AG, with its main office in Zurich and a branch in Geneva, provides a private banking service to high net worth customers and investors and links into the worldwide network now being established by Chartered Financial Holdings.

**Merchant Banking**

Our joint venture merchant bank, Chartered WestLB Limited increased profits in 1990, largely due to a record performance by the team handling developing country finance. In August, Chartered WestLB opened a branch in Dusseldorf to handle and develop business in Germany. Representative offices have been opened in Buenos Aires and Mexico City; an office in Caracas expected to be opened shortly will bring to five the number of offices in Latin America.

Our merchant banking units in Hong Kong and Singapore were both affected by adverse market conditions reflecting particularly the Gulf crisis in the second half of the year.

Nevertheless, the book of business was encouraging; both are well positioned to take advantage of an upturn in activity. The outstanding 10 per cent interest in Chin Tung Holdings, the Hong Kong based regional stockbroking operation, was acquired during the year.

In India, our Merchant Banking Division achieved improved profits. Standard Chartered Merchant Bank Zimbabwe Limited performed successfully.

**PROBLEM COUNTRY DEBT UNIT**

The Unit again had an active year by reducing the Group's exposure to LDC debt. Provisionable exposure to problem countries was reduced by a further US$ 486 million net during 1990. Of this reduction US$ 172 million represented repayments at par; the balance principally represented selective asset sales, the majority were undertaken at prices above net book value.

This has enabled us to raise the percentage cover over our LDC portfolio from 62 per cent at the beginning of the year, to 66 per cent at the end of 1990.

# Financial Section

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## DIRECTORS

**R. D. Galpin (Chairman)**
Rodney Galpin, age 59, became Chairman and Group Chief Executive in October 1988 after a distinguished career at the Bank of England which he joined in 1952. He held a series of senior positions before becoming Executive Director responsible for Banking Supervision in 1985.

***The Lord Pennock**
**(Deputy Chairman)**
Ray Pennock, age 70, joined the Board on 8 June 1982. Appointed Deputy Chairman 10 May 1989. Formerly Chairman of BICC PLC, President of the CBI and a former Director of Morgan Grenfell Plc and Eurotunnel PLC.

**W. C. L. Brown OBE**
**(Deputy Chairman)**
Bill Brown, age 59, was appointed Group Deputy Chairman in May 1990 in addition to his appointment as Deputy Group Chief Executive in November 1988, after a career in Standard Chartered spanning more than 30 years. He became Area General Manager in 1981 based in Hong Kong and was an Unofficial Member of the Legislative Council of Hong Kong before returning to London in 1987, as a Senior General Manager.

***R. I. J. Agnew**
Rudolph Agnew, age 57, joined the Board on 1 August 1988. Chairman of TVS Entertainment PLC and Sealink UK Limited. Formerly Chairman and Group Chief Executive of Consolidated Gold Fields PLC.

**G. J. Armstrong**
Geoff Armstrong, age 44, became Executive Director, Group Development on 1 August 1989. He was previously an Executive Director of MB Group PLC, and of several companies in the former BI Group. He is Chairman of the CBI Employment Policy Committee and a Council Member of ACAS.

***R. A. M. Baillie**
Robin Baillie, age 57, former Executive Director. Joined the Board on 1 June 1983. Chairman of Burson-Marsteller Limited and of PaineWebber International Bank Limited and director of Boustead plc, Capital & Counties plc, Transatlantic Holdings PLC and other companies.

***J. E. Craig OBE**
John Craig, age 58, joined the Board on 2 March 1989. Chairman of Powerscreen International PLC, Greyfriars Investments PLC, and of Jupiter European Investment Trust PLC and director of N.M. Rothschild & Sons Limited, United Dutch Group NV, International Fund for Ireland (Government Director) and other companies.

***P. J. Gillam**
Patrick Gillam, age 58, joined the Board on 1 August 1988. A Managing Director of The British Petroleum Company plc and director of other BP Group companies.

**J. MacKenzie**
John MacKenzie, age 50, Executive Director, Financial Services was appointed to the Board in June 1989. He joined the Bank in 1958 and has served in Asia, Europe, and the United States. His more recent appointments have been in Switzerland and Hong Kong. In the former he was Senior Executive from 1975 to 1980, whilst in Hong Kong he became Chief Manager in 1985 and, in 1987, Area General Manager with responsibility for East Asia.

**A. D. Orsich**
Alan Orsich, age 57, Executive Director, Treasury was appointed to the Board in March 1987. He joined the Bank in 1950. After service in Head Office and East Africa, he joined the Group's treasury operations and was instrumental in developing its foreign exchange and treasury activities. He is also responsible for the Group's bullion operations and international banking activities. He is Chairman of the Foreign Exchange Committee of the British Bankers' Association.

***Sir Ralph Robins**
Ralph Robins, age 58, joined the Board on 1 October 1988. Chief Executive and Deputy Chairman of Rolls-Royce plc. Director of ASW Holdings PLC and Schroders PLC.

***P. H. Robinson**
Philip Robinson, age 65, joined the Board on 14 January 1986. Chairman of Sunbury Investment Company Limited. Managing Trustee of Municipal Mutual Insurance Limited.

***P. N. M. Rudder**
Paul Rudder, age 61, joined the Board on 1 August 1988. Director of Anglia Secure Homes Limited, and formerly a Director of BET Plc.

**R. J. B. Stein**
Richard Stein, age 56, became Executive Director, Finance in September 1986 after wide experience in merchant banking and industry. After qualifying as an engineer at Cambridge, he became a Chartered Accountant and has held senior positions at Samuel Montagu, Reckitt & Colman and BOC, where he was Chief Financial Officer.

***The Rt. Hon. Ian Stewart RD, MP**
Ian Stewart, age 55, joined the Board on 1 January 1990. Chairman of The Throgmorton Trust PLC. Director of Diploma Plc and Framlington Group plc and formerly of Brown Shipley & Co. Limited. He was Economic Secretary to the Treasury from 1983-1987.

**G. G. Williams**
Geoffrey Williams, age 60, was appointed Executive Director, Merchant Banking in July 1990, following his retirement from J. Henry Schroder Wagg & Co. Ltd., where he was Deputy Chairman. He is a director of Bass plc.

**G. M. Williamson**
Malcolm Williamson, age 52, Executive Director, Banking was appointed to the Board in September 1989. He previously held general management positions with Barclays Bank PLC and, more recently, was a Board member of the Post Office and Managing Director of Girobank plc.

*Non-executive

## REPORT OF THE DIRECTORS

The directors have pleasure in submitting to the members their report and the accounts of the Company and its subsidiaries for the year ended 31 December 1990, which were approved by them on 12 March 1991.

### Activities

The Company is a holding company co-ordinating the activities of its subsidiary companies, which are principally engaged in the business of banking and other financial services. The statement by the Chairman and Group Chief Executive and the report on pages 10 to 22 contain a review of the business of the Group during 1990, of recent events and of likely future developments.

### Results

The results for the year are set out in the consolidated profit and loss account on page 29.

### Dividends

The directors recommend the payment of a final dividend of 7·5p per share to be paid on 17 May 1991 which, together with the interim dividend of 12·5p per share paid on 5 October 1990, equals 20·0p per share for the year.

### Share capital

During the year 189,444 fully paid £1 shares were issued under the Savings Related Share Option Scheme at prices from 360p to 478p per share and 3,276 shares were issued under the Executive Share Option Scheme at a price of 412p per share.

### Substantial shareholdings

As at 12 March 1991, the Company had been notified of the following interests of 3 per cent or more in its issued share capital.

| Shareholder | No. of shares | % of share capital |
|---|---|---|
| Tan Sri Khoo Teck Puat | 19,775,500 | 8·46 |
| Lloyds Bank Plc | 10,947,000 | 4·68 |
| Scottish Amicable Investment Managers Limited* | 9,524,340 | 4·06 |
| Barclays Bank PLC* | 9,356,297 | 4·00 |
| Schroder Investment Management Limited* | 9,186,979 | 3·92 |

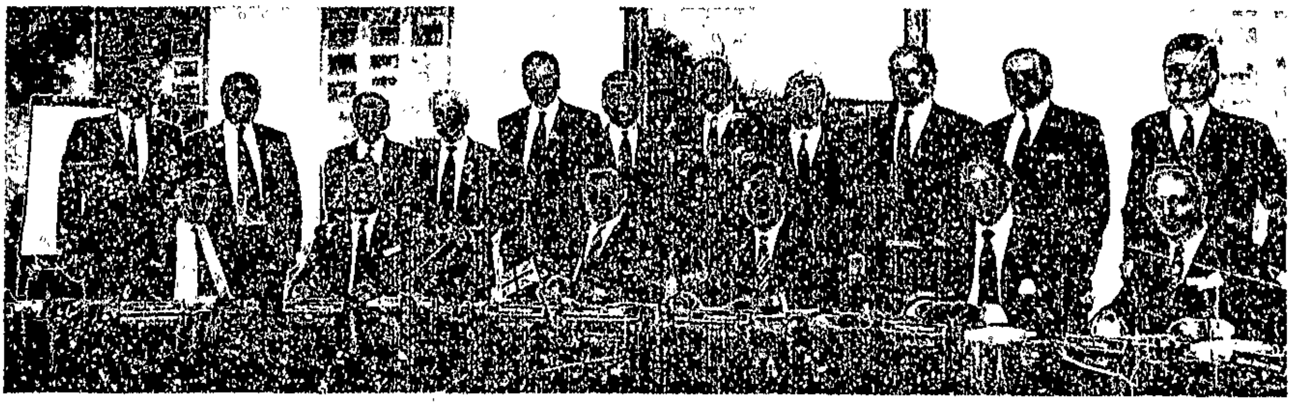
*non-beneficial interest

### Loan capital

Details of the loan capital of the Company and its subsidiaries are set out in notes 12 and 13 to the accounts.

### Annual General Meeting

The notice of the Annual General Meeting of the Company accompanies this report and accounts and contains details of special business to be conducted at the meeting.



THE EXECUTIVE BOARDS OF STANDARD CHARTERED PLC AND WESTDEUTSCHE LANDESBANK GIROZENTRALE PICTURED BEFORE A COMBINED MEETING HELD IN LONDON ON 5 FEBRUARY 1991.

### Directors

The names of the present directors are detailed on page 24. Mr P. J. Gillam and Mr P. N. M. Rudder retire from office by rotation and offer themselves for re-election. Mr P. H. Robinson also retires from office by rotation but will not seek re-election. Lord Pennock will retire at the conclusion of the Annual General Meeting. Mr G. G. Williams was appointed a director during the year and in accordance with the Articles of Association offers himself for re-election. Mr Williams has a service contract with Standard Chartered Bank which commenced with effect from 15 July 1990 and is ongoing subject to notice of one year less one day which may be given by the Bank. Neither of the other directors offering themselves for re-election has a service contract.

*Mr Robert Holmes à Court died on 2 September 1990.*

### Directors' Interests

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

| | At 31 December 1990 | | At 1 January 1990 (or at date elected to the board, if later) | |
|---|---|---|---|---|
| | Shares | Options | Shares | Options |
| R. D. Galpin | 4,000 | 190,820 | 3,500 | 160,446 |
| The Lord Pennock | 600 | – | 600 | – |
| W. C. L. Brown | 3,184 | 153,933 | 3,184 | 136,413 |
| R. I. J. Agnew | 750 | – | 750 | – |
| G. J. Armstrong | 1,590 | 119,563 | 1,590 | 86,517 |
| R. A. M. Baillie | 4,452 | – | 4,452 | – |
| J. E. Craig | 10,000 | – | 10,000 | – |
| P. J. Gillam | 750 | – | 750 | – |
| J. MacKenzie | 567 | 118,553 | 567 | 87,401 |
| A. D. Orsich | 5,378 | 141,226 | 5,378 | 102,301 |
| Sir Ralph Robins | 750 | – | 750 | – |
| P. H. Robinson | 7,000 | – | 6,000 | – |
| P. N. M. Rudder | 4,000 | – | 1,500 | – |
| R. J. B. Stein | 1,684 | 121,998 | 1,684 | 102,321 |
| The Rt. Hon. I. Stewart | 500 | – | – | – |
| G. G. Williams | 2,000 | 50,000 | 2,000 | – |
| G. M. Williamson | 1,000 | 116,899 | 500 | 86,517 |

During the year, the directors were granted options over 8,742 shares under the Savings Related Share Option Scheme, at option prices from 284p to 439p which are exercisable within a period of six months following the fifth anniversary of the date the option was granted. Options granted under that scheme to two directors in 1989 over a total of 5,034 shares at a price of 429p lapsed during the year. Directors were also granted options to purchase 247,368 shares under the Executive Share Option Scheme at option prices from 413p to 482p exercisable at any time after the third, but not later than the tenth, anniversary of the date on which the option was granted. None of the above options had been exercised during the year.

According to the Register maintained under Section 325 of the Companies Act 1985, no director had an interest in shares or debentures of any subsidiary company of the Group.

As at 12 March 1991, none of the above options had been exercised and no other changes had occurred since 31 December 1990.

### Directors' and Officers' Liability Insurance Policy

During the year, the Company has maintained cover for its directors and officers and those of a number of its subsidiary companies, under a directors' and officers' liability insurance policy, as permitted by Section 137 of the Companies Act 1989.

**Employees**

The average number of persons employed by the Group in the United Kingdom in each week during the year was 4,085 and their total remuneration for the year was £79·9 million. The involvement of employees in the Group's performance is encouraged through employee share schemes as detailed in note 7 to the accounts.

The employment policies of the Group are designed to meet local conditions and practices in each country of operation. The Group communicates systematically with its employees on a wide range of issues, through briefings to managers who are encouraged to hold subsequent meetings with staff and through circulars and publications to staff. Employees are being made increasingly aware of financial and economic factors affecting the performance of the Group through the annual *Report to Staff* and management briefings.

The Group follows health and safety arrangements as required under the Health and Safety at Work etc. Act 1974 and has drawn Group policy to the attention of employees.

The Group recognises its social and statutory duty to employ disabled persons, and has pursued a policy in the United Kingdom of providing wherever possible the same employment opportunities for disabled persons as for others.

**Group structure**

In accordance with the Agreement of 19 December 1989 with Westdeutsche Landesbank Girozentrale (WestLB) the sale of the Group's nine European commercial banking operations (with the exception of Switzerland which is not being sold) was completed during the year.

On 14 June 1990, WestLB acquired a further 30 per cent less one share of the Group's subsidiary, CWB Capital Partners Limited (CWB) for the sum of £7·5 million. The Group's interest now amounts to 50 per cent plus one share.

On 6 July 1990, 2,753,204 ordinary shares (comprising 1,529,558 new shares and 1,223,646 existing shares) of 50 cents par value at E2 per share in Standard Chartered Bank Swaziland Limited were offered under a public offer and private placing. Consequently, the Group's shareholding in Standard Chartered Bank Swaziland Limited has fallen from 60 per cent to 55 per cent.

On 12 July 1990, the securitisation of a portfolio amounting to £328 million of automobile hire purchase receivables of Chartered Trust plc was completed, financed through the issue of £328 million floating rate notes with a 5-year final maturity by a special purchase company, Cardiff Automobile Receivables Securitisation (UK) plc, created to acquire the receivables.

On 21 December 1990, the Group sold its subsidiary, Compass Credit Limited (Compass) to Cattle's (Holdings) p.l.c. for £8 million, after receiving dividends of £3 million from Compass.

On 12 March 1991, it was announced that the Group would offer to acquire the outstanding minority interests in Standard Chartered Bank Australia Limited.

**Areas of operation**

The Group has 743 offices, as shown on the inside back cover of this report and accounts.

**Donations**

The Group made charitable donations of £160,683 in the United Kingdom.

**Status**

The close company provisions of the Income and Corporation Taxes Act 1985 did not apply to the Company during the year, and this remains the position.

**Auditors**

KPMG Peat Marwick McLintock have signified their willingness to continue in office, and in accordance with Section 384 of the Companies Act 1985, a resolution for their re-appointment as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board
M. H. HAYMAN
*Group Secretary*

12 March 1991

## REPORT OF THE AUDITORS

To the members of Standard Chartered PLC

We have audited the accounts on pages 29 to 48 in accordance with Auditing Standards.

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

KPMG Peat Marwick McLintock

KPMG Peat Marwick McLintock
*Chartered Accountants*
London
12 March 1991

## FINANCIAL CALENDAR

Ex-Dividend Date *2 April 1991*

Record Date *11 April 1991*

Annual General Meeting *9 May 1991*

Payment Date *17 May 1991*

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1990

| | Notes | 1990 £ million | 1989 £ million |
|---|---|---|---|
| Profit before charge for debts | 1 | **313·0** | 390·0 |
| Charge for bad and doubtful debts | | **(174·7)** | (167·9) |
| Trading profit | | **138·3** | 222·1 |
| Share of results of associated undertakings | | **11·7** | 10·2 |
| PROFIT BEFORE EXCEPTIONAL ITEMS | | **150·0** | 232·3 |
| Exceptional items | 2 | **–** | (165·2) |
| PROFIT BEFORE TAXATION | | **150·0** | 67·1 |
| Taxation | 5 | **(116·6)** | (105·2) |
| Minority interests | | **(3·0)** | 2·7 |
| EARNINGS | | **30·4** | (35·4) |
| Extraordinary items | 6 | **3·2** | 4·1 |
| RESULT ATTRIBUTABLE TO MEMBERS OF THE COMPANY | | **33·6** | (31·3) |
| Dividends | 8 | **(46·8)** | (81·8) |
| DEFICIT FOR THE YEAR | 10 | **(13·2)** | (113·1) |
| EARNINGS PER SHARE | 9 | **13·0p** | (15·2)p |

The notes on pages 36 to 48 form part of these accounts.

## CONSOLIDATED BALANCE SHEET

31 December 1990

| | Notes | 1990 £ million | 1989 £ million |
|---|---|---|---|
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | 7 | 234·0 | 233·8 |
| Reserves | 10 | 755·9 | 730·1 |
| SHAREHOLDERS' FUNDS | | 989·9 | 963·9 |
| Minority interests | | 30·4 | 37·1 |
| Undated subordinated loan capital | 12 | 823·6 | 957·5 |
| PERMANENT CAPITAL EMPLOYED | | 1,843·9 | 1,958·5 |
| Dated subordinated loan capital | 13 | 406·4 | 498·4 |
| CAPITAL RESOURCES | | 2,250·3 | 2,456·9 |
| LIABILITIES | | | |
| Current, deposit and other accounts | | 19,818·9 | 22,083·6 |
| Taxation | 14 | 53·8 | 74·9 |
| Dividend | | 17·6 | 52·6 |
| | | 22,140·6 | 24,668·0 |

The notes on pages 36 to 48 form part of these accounts.

| | Notes | 1990 £ million | 1989 £ million |
|---|---|---|---|
| ASSETS | | | |
| Cash and short term funds | 15 | **3,499·1** | 2,896·2 |
| Bills discounted | 16 | **342·2** | 416·5 |
| Investments | 17 | **1,111·1** | 1,007·8 |
| Advances to customers and other accounts | 18 | **16,757·6** | 19,986·0 |
| | | **21,710·0** | 24,306·5 |
| Investments in associated undertakings | 20 | **54·2** | 56·1 |
| Trade investments | 21 | **8·8** | 9·5 |
| Premises and equipment | 22 | **367·6** | 295·9 |
| | | **22,140·6** | 24,668·0 |

R. D. Galpin *Chairman and Group Chief Executive* R. D. Galpin

R. J. B. Stein *Group Executive Director, Finance*

## BALANCE SHEET

31 December 1990

| | Notes | 1990 £ million | 1989 £ million |
|---|---|---|---|
| FIXED ASSETS | | | |
| Investments: | | | |
| Subsidiary companies | 24 | **1,907·5** | 2,008·3 |
| CURRENT ASSETS | | | |
| Amounts owed by subsidiaries | | **141·1** | 261·9 |
| Deferred taxation | 14 | **–** | 0·8 |
| Other debtors | | **31·3** | 27·5 |
| | | **172·4** | 290·2 |
| CREDITORS due within one year | | | |
| Proposed dividend | | **17·6** | 52·6 |
| Current taxation | 14 | **13·1** | 14·6 |
| Other creditors | | **3·3** | 3·1 |
| Accrued interest | | **21·2** | 27·4 |
| Amounts owed to subsidiaries | | **–** | 29·4 |
| | | **55·2** | 127·1 |
| NET CURRENT ASSETS | | **117·2** | 163·1 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **2,024·7** | 2,171·4 |
| CREDITORS due after more than one year | | | |
| Dated subordinated loan capital | 13 | **206·2** | 250·0 |
| Undated subordinated loan capital | 12 | **823·6** | 957·5 |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | |
| Deferred taxation | 14 | **5·0** | – |
| | | **989·9** | 963·9 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 7 | **234·0** | 233·8 |
| Reserves | 11 | **755·9** | 730·1 |
| | | **989·9** | 963·9 |

The notes on pages 36 to 48 form part of these accounts.

R. D. Galpin *Chairman and Group Chief Executive*

R. J. B. Stein *Group Executive Director, Finance*

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31 December 1990

| | 1990 £ million | 1989 £ million |
|---|---|---|
| FUNDS FROM OPERATIONS | | |
| Profit before taxation | 150·0 | 67·1 |
| Extraordinary items, before taxation | 3·9 | 7·2 |
| | 153·9 | 74·3 |
| Items not involving the movement of funds: | | |
| Depreciation | 38·3 | 42·5 |
| Profits retained by associated undertakings | (4·9) | (6·9) |
| FUNDS FROM OTHER SOURCES | | |
| Share capital issued | 0·8 | 1·1 |
| Net book value of premises, equipment, trade investments and associated undertakings disposed of | 10·7 | 189·1 |
| | 198·8 | 300·1 |
| APPLICATION OF FUNDS | | |
| Dividends paid to members of the Company | 81·8 | 81·7 |
| Dividends paid to minority shareholders of subsidiaries | 4·1 | 1·9 |
| Taxation paid | 98·9 | 113·6 |
| Dated subordinated loan capital repaid | 75·0 | – |
| Goodwill on acquisition | 0·9 | 6·0 |
| Additions to premises, equipment, trade investments and associated undertakings | 92·2 | 70·5 |
| Reclassification of investment in Chartered WestLB as an associated undertaking | – | 26·3 |
| Changes in minority interests | 0·5 | (4·0) |
| Change in working capital | (154·6) | 3·6 |
| | 198·8 | 300·1 |
| CHANGE IN WORKING CAPITAL | | |
| Advances and other accounts | (3,203·9) | 2,819·5 |
| Liquid and other banking assets | 631·9 | (760·9) |
| Current, deposit and other accounts | 2,264·7 | (1,971·2) |
| Exchange differences attributable to working capital | 152·7 | (83·8) |
| | (154·6) | 3·6 |

# PRINCIPAL ACCOUNTING POLICIES

### Accounting convention

The accounts of Standard Chartered PLC ('the Company') and of the Group set out on pages 29 to 48 have been prepared on the historical cost basis of accounting, modified by the inclusion of certain fixed assets and investments on a revalued basis.

### Company accounts

The Company accounts are drawn up in accordance with Section 228 of, and Schedule 4 to, the Companies Act 1985 ('the Act') and applicable Accounting Standards. As permitted by Section 228(7) of the Act, the Company's profit and loss account has not been included in these financial statements.

### Group accounts

The consolidated accounts of the Group comprise the accounts of the Company and its subsidiaries for the year ended 31 December (with the undermentioned exceptions) and are drawn up in accordance with Sections 257–260 of, and Schedule 9 to, the Act and applicable Accounting Standards.

For local statutory reasons, the accounts of Standard Chartered Bank of Canada are drawn up to 31 October and for commercial reasons the accounts of certain Mocatta companies are drawn up to 30 November.

The Group share of results of Chartered WestLB Limited is based on audited accounts and of the remaining associated undertakings principally on unaudited management accounts; in all cases for years ended on 31 December.

Any difference between the cost and attributable net tangible assets of subsidiaries and associated undertakings at the date of acquisition is dealt with through reserves in the year of acquisition; except for associated undertakings held for investment purposes which are stated at cost, less amortisation.

### Bullion and other metal dealing stocks

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

### Disposal of revalued assets

Profits and losses on disposals of revalued assets, whether arising directly or through the disposal of subsidiary companies, are calculated by reference to original cost.

### Bad and doubtful debts

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

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

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

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

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

### Equipment leased to customers and instalment credit

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. The balance sheet amount represents total minimum lease payments less deferred income. Income from finance leases is credited to profit and loss in proportion to the funds invested. Fixed rate instalment credit agreements are treated in a similar manner to finance leases.

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

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

**Investments**

Portfolio investments are those investments in securities which are held for the longer term or until maturity. Portfolio investments consisting of British Government and other securities redeemable at fixed dates are stated at cost adjusted for straight line amortisation of premiums and discounts on purchase over periods to redemption; other portfolio investments are stated at cost less any amounts written off to reflect permanent diminution in value.

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

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

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

**Asset swaps and sales**

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

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

**Premises and equipment**

Freehold and long-leasehold premises are included in the accounts at original historical cost or subsequent valuation as set out in note 22. Leasehold premises with no long term premium value are not revalued.

Land is not depreciated. Freehold premises and leasehold premises with unexpired lease terms of more than 50 years are maintained in a good state of repair and it is considered that the residual values are such that any depreciation is not significant. Accordingly, no depreciation has been charged on these premises.

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

Equipment, including fixed plant in buildings, is stated at cost and is depreciated on a straight line basis over its expected economic life, principally between 5 and 15 years.

**Retirement benefits**

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

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

**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 distribution of subsidiary companies' and associated undertakings' retained earnings.

**Exchange rates**

Results in foreign currencies are expressed in sterling at rates of exchange set by reference to: rates of conversion for amounts remitted to the UK; contracted forward rates for unremitted amounts sold forward; or rates at the year end for other amounts. Assets and liabilities in foreign currencies are translated at year end rates of exchange.

Differences arising from the retranslation of opening foreign currency net investments and related borrowings are dealt with through reserves, together with the differences arising from foreign currency exchange agreements relating to these investments and borrowings. Other differences are included in profit.

## 1 Profit before charge for debts

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

| | 1990 £ million | 1989 £ million |
|---|---|---|
| INCOME | | |
| Income from investments: | | |
| Listed | 72·9 | 143·1 |
| Unlisted | 15·2 | 34·2 |
| Leasing and instalment credit income: | | |
| Finance leases | 272·8 | 194·8 |
| Operating leases | 55·0 | 40·1 |
| CHARGES | | |
| Interest on subordinated loan capital: | | |
| Wholly repayable within 5 years | — | 2·9 |
| Other | 131·4 | 150·5 |
| Auditors' remuneration | 2·4 | 2·9 |
| Operating leases: | | |
| Equipment rentals | 4·4 | 2·7 |
| Rental of premises | 73·2 | 55·3 |
| Depreciation of: | | |
| Premises | 10·4 | 12·2 |
| Equipment | 27·9 | 30·3 |
| Directors' emoluments including pension contributions | 1·9 | 2·0 |
| Comprising: | | |
| Fees | 0·3 | 0·3 |
| Other emoluments | 1·5 | 1·5 |
| Past directors' pensions | 0·1 | 0·1 |
| Amounts payable to, or in respect of, former directors | — | 0·1 |

## 2 Exceptional items

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Charge for problem country debt | — | (427·0) |
| Surplus on disposals of premises | — | 289·5 |
| Reorganisation costs | — | (27·7) |
| | — | (165·2) |

## 3 Directors and staff

EMOLUMENTS (EXCLUDING PENSION CONTRIBUTIONS)

The emoluments of the Chairman amounted to *£260,998 (1989: £246,526)*.

No director waived his right to receive emoluments (1989: one director: £8,736).

The number of other directors in receipt of emoluments within the stated limits were:

| | 1990 | 1989 | | 1990 | 1989 | | 1990 | 1989 |
|---|---|---|---|---|---|---|---|---|
| £5,001–£10,000 | – | 2 | £35,001–£40,000 | 2 | – | £175,001–£180,000 | 1 | – |
| £10,001–£15,000 | 1 | 1 | £40,001–£45,000 | 1 | – | £180,001–£185,000 | 1 | 1 |
| £15,001–£20,000 | 1 | 2 | £50,001–£55,000 | – | 1 | £185,001–£190,000 | – | 1 |
| £20,001–£25,000 | 1 | 1 | £65,001–£70,000 | – | 1 | £195,001–£200,000 | 1 | – |
| £25,001–£30,000 | 5 | 3 | £95,001–£100,000 | – | 1 | £205,001–£210,000 | 1 | – |
| £30,001–£35,000 | – | 4 | £165,001–£170,000 | 2 | – | £235,001–£240,000 | – | 1 |

TRANSACTIONS WITH DIRECTORS, OFFICERS AND OTHERS

The aggregate amounts outstanding at 31 December 1990 to be disclosed pursuant to the Companies Acts 1985 and 1989 in respect of loans were as follows:

| | 1990 | | 1989 | |
|---|---|---|---|---|
| | Number | £000 | Number | £000 |
| Directors | 5 | 8 | 7 | 79 |
| Officers | 4 | 116 | 10 | 885 |

The loans to directors include £1,467 (1989: £19,449) on normal commercial terms and in the ordinary course of business.

There were no loans to connected parties during the year.

The loans to officers include £12,660 (1989: £86,864) on normal commercial terms and in the ordinary course of business.

Save as disclosed herein, no other transaction, arrangement or agreement, required to be disclosed by The International Stock Exchange or in terms of the above Acts, as amended by the Banking Act 1987, was outstanding for any director and/or connected person or officer of the Company.

## 4 Retirement benefits

The total charge for Group pension costs was £19·2 million (1989: £28·9 million), of which £16·0 million (1989: £24·0 million) was for defined benefit schemes, and £3·2 million (1989: £4·9 million) was for defined contribution schemes.

The pension cost relating to the Standard Chartered Pension Fund is assessed in accordance with the advice of a qualified actuary using the projected unit method. The most recent actuarial assessment of the scheme was at 31 December 1988. The fund had a surplus of £24·7 million at that date and, in establishing the pension cost, this is being spread over the expected remaining average employee service life of 12 years. The assumptions which had the most significant effect on the results of the valuation were as follows: it was assumed that the investment return would be 9 per cent per annum; that dividend growth would be 4·5 per cent per annum; that salary increases would average 7 per cent per annum; and that pension increases would average 3·75 per cent per annum. At 31 December 1988, the market value of the assets of the fund was £318·6 million and the actuarial value of the assets was sufficient to cover 108·4 per cent of the benefits that had accrued to members. In 1990, the annual pension cost attributable to the fund was £4·4 million, and contributions of £2·8 million were made to the fund in that year. Pension cost charges in respect of other UK schemes were £1·5 million in 1990.

The element of the total pension cost relating to foreign schemes was £13·3 million (1989: £21·9 million), of which £10·1 million (1989: £17·1 million) was for defined benefit schemes, and £3·2 million (1989: £4·8 million) was for defined contribution schemes, where the charge has been determined in accordance with local practice and regulations. One of the overseas funds had a deficit of £5·6 million at 31 December 1990 which is being amortised over the next three years.

Provisions totalling £20·3 million (1989: £22·8 million) are included in creditors, representing the excess of the accumulated pension cost over the amount funded.

## 5 Taxation

| | 1990 £ million | 1989 £ million |
|---|---|---|
| The charge for taxation is based upon the profits for the year and comprises: | | |
| Advance corporation tax | 14·6 | 22·3 |
| United Kingdom corporation tax at 35 per cent including deferred tax charge of £25·2 million (1989: credit of £14·0 million) | 29·8 | (1·8) |
| Relief for overseas tax | (4·6) | (5·9) |
| | 39·8 | 14·6 |
| Overseas tax including deferred tax charge of £7·5 million (1989: credit of £9·5 million) | 71·3 | 86·8 |
| Share of associated undertakings' tax (all overseas) | 5·5 | 3·8 |
| | 116·6 | 105·2 |

The taxation charge on the profits of the year has been increased by the non availability of UK reliefs in respect of taxation borne overseas, together with advance corporation tax written off.

## 6 Extraordinary items

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Profit/(loss) on sale of: | | |
| Operations to WestLB | (5·0) | 33·2 |
| Subsidiary companies | 4·4 | 2·9 |
| Associated undertakings | 0·2 | — |
| Trade investments | 1·4 | 10·2 |
| Other | 2·9 | (39·1) |
| | 3·9 | 7·2 |
| Attributable tax | (0·7) | (3·1) |
| | 3·2 | 4·1 |

## 7 Share capital

| ORDINARY SHARES OF £1 EACH | 1990 £ million | 1989 £ million |
|---|---|---|
| Authorised | 300·0 | 300·0 |
| Allotted, called up and fully paid: | | |
| At 1 January | 233·8 | 233·6 |
| Under employees' share schemes | 0·2 | 0·2 |
| At 31 December | 234·0 | 233·8 |

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

PROFIT SHARING SCHEME

At the year end, 930 employees were interested in 306,769 shares under the Group's Profit Sharing Scheme.

EXECUTIVE SHARE OPTION SCHEME

At 1 January 1990, there were options outstanding over 2,602,463 shares under the Executive Share Option Scheme. No options were exercised during the year, but the following options were granted under that Scheme:

| Date option granted | Option price per share | No. of shares under option | Exercise period |
|---|---|---|---|
| 30.4.90 | 482p | 606,000 | 1993-2000 |
| 17.8.90 | 413p | 1,242,858 | 1993-2000 |

As at 31 December 1990, there were options outstanding over 4,405,098 shares which may be exercised at various dates up to 2000 under the Rules of the Scheme.

SAVINGS RELATED SHARE OPTION SCHEME

At 1 January 1990, there were options outstanding over 1,348,228 shares under the Savings Related Share Option Scheme. During the year some options lapsed, options were exercised over 182,269 shares at various prices from 360p to 478p and the following options were granted under that Scheme:

| Date option granted | Option price per share | No. of shares under option | Exercise period |
|---|---|---|---|
| 3.5.90 | 439p | 133,297 | 1995 |
| 12.10.90 | 284p | 1,386,392 | 1995-1996 |

As at 31 December 1990, there were options outstanding over 2,189,838 shares which may be exercised at various dates from 1991 to 1996 under the Rules of the Scheme.

## 8 Dividends

| | 1990 | | 1989 | |
|---|---|---|---|---|
| | £ million | pence per share | £ million | pence per share |
| Interim paid | 29·2 | 12·5 | 29·2 | 12·5 |
| Final proposed | 17·6 | 7·5 | 52·6 | 22·5 |
| | 46·8 | 20·0 | 81·8 | 35·0 |

## 9 Earnings per share

| | 1990 | | 1989 | |
|---|---|---|---|---|
| | £ million | pence per share | £ million | pence per share |
| Net basis — *profit on ordinary activities after taxation and minority interests* | 30·4 | 13·0 | (35·4) | (15·2) |
| Nil distribution basis — profit on ordinary activities after taxation and minority interests but before charge for ACT | 45·0 | 19·2 | (13·1) | (5·6) |

| | million | million |
|---|---|---|
| Weighted average number of shares in issue | 233·9 | 233·7 |

## 10 Group reserves

| | £ million |
|---|---|
| Reserves at 1 January 1990 | 730·1 |
| Exchange translation differences | (34·4) |
| Premium on shares issued | 0·8 |
| Goodwill | (0·9) |
| Surplus on revaluation of premises | 75·8 |
| Profit and loss account | (13·2) |
| Other | (2·1) |
| Reserves at 31 December 1990 | 755·9 |

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

Reserves of the Group at 31 December 1990 include £353·1 million share premium, £129·0 million surplus on revaluation of premises and £12·7 million in respect of associated undertakings.

## 11 Company reserves

| | Share premium £ million | Other reserves £ million | TOTAL £ million |
|---|---|---|---|
| Reserves at 1 January 1990 | 352·5 | 377·6 | 730·1 |
| Exchange translation differences | – | (0·2) | (0·2) |
| Premium on shares issued | 0·6 | – | 0·6 |
| Increase in net assets of subsidiary companies | – | 74·8 | 74·8 |
| Loss for the year | – | (2·6) | (2·6) |
| Dividends paid and proposed | – | (46·8) | (46·8) |
| Reserves at 31 December 1990 | 353·1 | 402·8 | 755·9 |

At 31 December 1990, the Company's other reserves included non-distributable reserves of £7·9 million.

## 12 Undated subordinated loan capital

| | 1990 £ million | 1989 £ million |
|---|---|---|
| UNDATED PRIMARY CAPITAL FLOATING RATE NOTES | | |
| US$400 million | 207·3 | 248·5 |
| US$300 million (Series 2) | 155·4 | 186·3 |
| US$400 million (Series 3) | 207·3 | 248·5 |
| US$200 million (Series 4) | 103·6 | 124·2 |
| £150 million | 150·0 | 150·0 |
| | 823·6 | 957·5 |

## 13 Dated subordinated loan capital

| | 1990 £ million | 1989 £ million |
|---|---|---|
| COMPANY | | |
| £100 million 12⅞ per cent Subordinated Unsecured Loan Stock 2002/2007 | 100·0 | 100·0 |
| £106·2 million (1989: £150 million) Subordinated Floating Rate Notes 1996 | 106·2 | 150·0 |
| | 206·2 | 250·0 |
| SUBSIDIARIES | | |
| US$40·1 million 11½ per cent Guaranteed Bonds 1994 | – | 24·9 |
| US$175·6 million 12 per cent Guaranteed Bonds 1996 | 91·0 | 109·0 |
| S.Fr. 268·9 million (1989: S.Fr. 285.5 million) 4 per cent Capital Bonds 1987-1997 | 109·2 | 114·5 |
| | 406·4 | 498·4 |

US$ 40·1 million Guaranteed Bonds 1994 were redeemed early on 12 January 1990 by Standard Chartered Finance BV. During 1990, the Group also purchased and cancelled £43·8 million Subordinated Floating Rate Notes 1996 and S.Fr. 16·6 million 4 per cent Capital Bonds 1987-1997.

Warrants issued with the S.Fr. Bonds procure the issue of up to 8·9 million (subject to adjustment) shares of £1 each in Standard Chartered PLC at a subscription price of £8·20 (subject to adjustment) per share. The warrants are exercisable up to and including 7 January 1992. No warrants have yet been exercised.

## 14 Taxation

| | Group | | Company | |
|---|---|---|---|---|
| | 1990 £ million | 1989 £ million | 1990 £ million | 1989 £ million |
| CURRENT TAXATION | 53·8 | 74·9 | 13·1 | 14·6 |
| DEFERRED TAXATION (RELIEF) | | | | |
| Deferred taxation comprises: | | | | |
| Accelerated tax depreciation: | | | | |
| Equipment used in the business | 1·4 | 2·2 | – | – |
| Equipment leased to customers | 21·6 | 38·4 | – | – |
| Tax losses carried forward | – | (38·5) | – | – |
| Specific provisions for bad debts | (8·9) | (19·8) | – | – |
| Premises disposals | 0·2 | 0·3 | – | – |
| Other timing differences | (26·6) | (19·4) | 5·0 | (0·8) |
| | (12·3) | (36·8) | 5·0 | (0·8) |
| Changes in deferred taxation balances during the year were as follows: | | | | |
| Balance at 1 January | (36·8) | 34·3 | (0·8) | 21·3 |
| Exchange translation differences | 2·4 | (0·8) | – | – |
| Charge/(credit) to profit and loss | 32·7 | (23·5) | 5·8 | (0·1) |
| Charge/(credit) to extraordinary items | (2·6) | 3·1 | – | – |
| Release on disposal of premises | – | (43·7) | – | (22·0) |
| Other movements | (8·0) | (6·2) | – | – |
| Balance at 31 December | (12·3) | (36·8) | 5·0 | (0·8) |
| No account has been taken of the following potential deferred taxation items: | | | | |
| *Accelerated tax depreciation:* | | | | |
| Equipment used in the business | 2·5 | 1·5 | – | – |
| Equipment leased to customers | 0·4 | 1·9 | – | – |
| Hedging transactions | 12·3 | 24·1 | – | – |
| Advance corporation tax written off | (79·5) | (64·9) | (72·5) | (57·9) |
| Tax losses carried forward | (55·8) | (34·9) | – | – |

No provision is made for any tax liability which might arise on the disposal of premises, subsidiaries 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.

## 15 Cash and short term funds

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Cash in hand and balances with banks | 409·4 | 463·8 |
| Money at call and short notice | 2,924·3 | 2,241·9 |
| Negotiable certificates of deposit | 102·6 | 153·9 |
| Cheques in course of collection | 62·8 | 36·6 |
| | 3,499·1 | 2,896·2 |

## 16 Bills discounted

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Bills eligible for rediscount: | | |
| Overseas and British Government treasury bills | 101·2 | 151·7 |
| Commercial bills | 241·0 | 264·8 |
| | 342·2 | 416·5 |

## 17 Investments

| | 1990 Book amount £ million | 1990 Valuation £ million | 1989 Book amount £ million | 1989 Valuation £ million |
|---|---|---|---|---|
| Securities of, or guaranteed by, National Governments: | | | | |
| Listed in Great Britain | 185·4 | 179·1 | 212·6 | 202·9 |
| Listed overseas | 616·5 | 601·2 | 424·8 | 428·1 |
| Unlisted | 31·5 | 31·2 | 104·1 | 103·5 |
| | 833·4 | 811·5 | 741·5 | 734·5 |
| Other investments: | | | | |
| Listed in Great Britain | 51·3 | 47·1 | 34·8 | 35·3 |
| Listed overseas | 110·4 | 105·5 | 136·7 | 135·2 |
| Unlisted | 116·0 | 115·4 | 94·8 | 104·2 |
| | 1,111·1 | 1,079·5 | 1,007·8 | 1,009·2 |
| Of these amounts, portfolio investments carried at adjusted cost, in accordance with the accounting policy stated on page 35, are | 913·3 | 881·7 | 844·6 | 849·0 |

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

### 18 Provisions for bad and doubtful debts

*Advances to customers and other accounts are stated after deducting provisions for bad and doubtful debts.*

| (a) Provisions against advances other than problem country debt | 1990 £ million | 1989 £ million |
|---|---|---|
| Provisions held at 1 January | 569·8 | 465·9 |
| Exchange translation differences | (69·5) | 50·4 |
| Amounts utilised (net) | (119·5) | (83·8) |
| Adjustments arising from changes in Group structure | (4·7) | (30·6) |
| Reclassification of provisions | 23·5 | – |
| Charges against profits | 174·7 | 167·9 |
| Provisions held at 31 December | 574·3 | 569·8 |

(b) Provisions against problem country debt

| | | |
|---|---|---|
| Provisions held at 1 January | 859·8 | 620·3 |
| Exchange translation differences | (128·5) | 73·6 |
| Amounts utilised (net) | (130·5) | (261·1) |
| Reclassification of provisions | (23·5) | – |
| Exceptional charges against profits | – | 427·0 |
| Provisions held at 31 December | 577·3 | 859·8 |
| TOTAL PROVISIONS HELD AT 31 DECEMBER | | |
| Specific provisions | 1,022·5 | 1,264·0 |
| General provisions | 129·1 | 165·6 |
| | 1,151·6 | 1,429·6 |

### 19 Equipment leased to customers

Advances to customers and other accounts include equipment leased to customers, as set out below:

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Operating leases | | |
| Cost of equipment | 166·7 | 173·8 |
| Accumulated depreciation | (58·3) | (53·3) |
| | 108·4 | 120·5 |
| Finance leases | | |
| Net amount outstanding | 542·8 | 442·5 |
| Total equipment leased to customers | 651·2 | 563·0 |

Advances to customers and other accounts also include amounts receivable under instalment credit agreements of £866·1 million (1989: £1,298·9 million).

The cost of assets acquired during the year for leasing to customers under finance leases and instalment credit agreements amounted to £993·8 million (1989: £895·7 million).

During the year a subsidiary company, Chartered Trust plc, disposed of its interest in the principal of a portfolio of motor vehicle instalment credit agreements for the sum of £433 million. Chartered Trust retains an interest in the portfolio to the extent that interest arising thereon exceeds the total expenses. No profit or loss arose upon this sale and Chartered Trust retains an interest in the flow of profits arising on these agreements which amounted to £7·4 million during the year. Advances to customers and other accounts in the consolidated balance sheet include £25·8 million relating to the residual interest in the instalment credit agreements sold.

## 20 Investments in associated undertakings

| | 1990 | | 1989 | |
|---|---|---|---|---|
| | Book amount £ million | Valuation £ million | Book amount £ million | Valuation £ million |
| Listed overseas | 12·2 | 12·2 | 20·0 | 12·5 |
| Unlisted | 42·0 | 43·1 | 36·1 | 65·5 |
| | 54·2 | 55·3 | 56·1 | 78·0 |

| | 1990 £ million | 1989 £ million |
|---|---|---|
| DIVIDENDS RECEIVED FROM ASSOCIATED UNDERTAKINGS | | |
| Listed | 0·7 | 1·0 |
| Unlisted | 6·1 | 2·3 |
| | 6·8 | 3·3 |

Included in advances and other accounts are loans made in the normal course of business to associated undertakings of £1·7 million (1989: £3·0 million) and trading balances with associated undertakings of £0·9 million (1989: £253·8 million). Current, deposit and other accounts include trading balances with associated undertakings of £150·3 million (1989: £34·4 million).

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

At 31 December 1990, the principal associated undertaking was Chartered WestLB Limited, a merchant bank incorporated in Great Britain with an issued share capital of 42·4 million ordinary shares of £1 each, in which the Group had a 50 per cent interest.

## 21 Trade investments

| | 1990 | | 1989 | |
|---|---|---|---|---|
| | Book amount £ million | Valuation £ million | Book amount £ million | Valuation £ million |
| Listed overseas | 2·9 | 6·6 | 3·1 | 5·3 |
| Unlisted | 5·9 | 11·4 | 6·4 | 10·8 |
| | 8·8 | 18·0 | 9·5 | 16·1 |

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

## 22 Premises and equipment

| | Equipment £ million | Premises £ million |
|---|---|---|
| COST OR VALUATION | | |
| At 1 January 1990 | 154·3 | 238·3 |
| Exchange translation differences | (16·3) | (35·6) |
| Additions | 60·5 | 27·9 |
| Disposals | (16·5) | (4·3) |
| Fully depreciated assets written off | (9·2) | (7·0) |
| Revaluation surplus | – | 72·6 |
| At 31 December 1990 | 172·8 | 291·9 |
| DEPRECIATION | | |
| Accumulated at 1 January 1990 | 64·2 | 32·5 |
| Exchange translation differences | (7·3) | (4·1) |
| Charge for the year | 27·9 | 10·4 |
| Attributable to assets sold or written off | (18·2) | (7·1) |
| Released on revaluation | – | (1·2) |
| Accumulated at 31 December 1990 | 66·6 | 30·5 |
| NET BOOK VALUES AT 31 DECEMBER 1990 | 106·2 | 261·4 |
| TOTAL PREMISES AND EQUIPMENT | 367·6 | |
| PREMISES: ANALYSIS OF COST OR VALUATION | | |
| At cost | | 95·8 |
| At valuation: | | |
| Prior to 1987 | | 0·2 |
| 1987 | | 3·0 |
| 1990 | | 192·9 |
| | | 291·9 |
| PREMISES: ANALYSIS OF NET BOOK VALUE | | |
| Freehold | | 89·9 |
| Leasehold over 50 years unexpired | | 87·9 |
| Leasehold up to 50 years unexpired | | 83·6 |
| | | 261·4 |
| Net book value of premises not subject to depreciation | | 155·4 |

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

## 23 Operating lease commitments

| The Group's annual commitments under operating leases were as follows: | 1990 Premises £ million | 1990 Equipment £ million | 1989 Premises £ million | 1989 Equipment £ million |
|---|---|---|---|---|
| Expiry of operating lease: | | | | |
| Within one year | 7·6 | 1·1 | 16·4 | 0·6 |
| Between one and five years | 53·7 | 2·0 | 20·4 | 2·5 |
| After five years | 28·9 | – | 21·0 | – |
| | 90·2 | 3·1 | 57·8 | 3·1 |

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

## 24 Investments in subsidiaries

| | Cost £ million | Revaluation reserve £ million | Loans £ million | TOTAL £ million |
|---|---|---|---|---|
| Balance at 1 January 1990 | 1,046·3 | (245·5) | 1,207·5 | 2,008·3 |
| Exchange translation differences | (1.2) | 0·1 | (133·9) | (135·0) |
| Additions | 14·2 | – | – | 14·2 |
| Disposal/repayments | (11·0) | – | (43·8) | (54·8) |
| Share of increase in net assets of subsidiaries | – | 74·8 | – | 74·8 |
| Balance at 31 December 1990 | 1,048·3 | (170·6) | 1,029·8 | 1,907·5 |

*At 31 December 1990, the principal subsidiary companies (all indirectly held) were as follows:*

| Company and Country of Incorporation | Main Areas of Operation | Group Interest |
|---|---|---|
| **COMMERCIAL BANKING** | | |
| Standard Chartered Bank<br>Great Britain | United Kingdom, Middle East, South Asia, Asia Pacific and North America | 100% |
| Standard Chartered Bank Africa PLC<br>Great Britain | Lesotho and Seychelles and, through Group companies, elsewhere in Africa | 100% |
| Standard Chartered Bank Australia Limited<br>Australia | Australia | 74·9% |
| Standard Chartered Bank of Canada<br>Canada | Canada | 100% |
| **BULLION** | | |
| Mocatta & Goldsmid Limited<br>Great Britain | United Kingdom | 100% |
| Mocatta Metals Corporation<br>USA | North America | 100% |
| **INSTALMENT FINANCE AND LEASING** | | |
| Chartered Trust plc<br>Great Britain | United Kingdom | 100% |
| **MERCHANT BANKING** | | |
| SCMB Overseas Limited<br>Great Britain | Through Group companies, Africa, South Asia and Asia Pacific | 100% |
| **FUND MANAGEMENT** | | |
| Scimitar Asset Management Limited<br>Great Britain | United Kingdom and, through Group companies, N. America and Asia Pacific | 100% |
| **TRUSTEE SERVICES** | | |
| Standard Chartered Trust Group Holdings Limited<br>Bermuda | Bermuda and, through Group companies, Channel Islands, Switzerland, Africa, Asia Pacific, South Asia and North and South America | 100% |

The Group's investment in CWB Capital Partners Limited (CWB) amounts to 50 per cent plus one share. However, as there are restrictions on the long term control of CWB, it has not been consolidated in the Group accounts.

## 25 Contingent liabilities and other obligations

| | Group 1990 £ million | Group 1989 £ million | Company 1990 £ million | Company 1989 £ million |
|---|---|---|---|---|
| Acceptances | 482·5 | 492·7 | – | – |
| Guarantees, confirmed credits and other engagements for which there are corresponding obligations by customers | 2,998·0 | 4,088·5 | – | – |
| Guarantees relating to loan capital obligations of subsidiaries | – | – | 91·0 | 133·9 |

In 1979, the Group entered into a foreign currency exchange agreement whereby it exchanged £66·7 million for US$140·0 million and agreed to re-exchange these amounts in 1991.

In 1987, the Group entered into a foreign currency exchange agreement whereby it exchanged S.Fr. 291·0 million for US$194·0 million and agreed to re-exchange these amounts in 1997.

There were also financial futures contracts and forward contracts for the purchase and sale of foreign currencies and bullion.

Under the Group's agreement with California First Bank for the sale of Union Bank, the Group is obliged to indemnify Union Bank for valid claims arising out of certain litigation. The Group has recently been advised of litigation against Union Bank involving a number of related claims, the maximum liability in respect of which has not yet been quantified and which, if proved, could fall within the indemnity. These claims are being vigorously defended.

## 26 Secured liabilities

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Secured liabilities, including notes in circulation, amounted to | 579·6 | 673·0 |

## 27 Capital commitments

| Capital expenditure approved by the directors but not provided for in these accounts amounted to: | 1990 £ million | 1989 £ million |
|---|---|---|
| Contracted | 41·0 | 19·8 |
| Not contracted | 11·3 | 3·6 |

## 28 Turnover

| | 1990 £ billion | 1989 £ billion |
|---|---|---|
| The principal turnover of the Group is attributable to the business of banking and related activities and is therefore not shown. Other turnover, principally bullion sales, amounted to | 136·8 | 36·8 |

## FIVE YEAR FINANCIAL SUMMARY

| | 1990 | 1989 | 1988 | 1987 | 1986 |
|---|---|---|---|---|---|
| **Amounts in £ million** | | | | | |
| Profit before charge for debts | 313 | 390 | 403 | 362 | 392 |
| Charge for bad and doubtful debts | (175) | (168) | (98) | (234) | (184) |
| Profit before exceptional items | 150 | 232 | 313 | 168 | 252 |
| Exceptional items | – | (165) | – | (418) | – |
| Profit/(loss) before taxation | 150 | 67 | 313 | (250) | 252 |
| Earnings | 30 | (35) | 212 | (321) | 149 |
| Profit/(loss) attributable to shareholders | 34 | (31) | 274 | (382) | 140 |
| Earnings per share(1) | 13·0p | (15·2)p | 114·8p | (188·6)p | 87·6p |
| Dividends per share(1) | 20·0p | 35·0p | 33·9p | 32·0p | 32·0p |
| **Amounts in £ million** | | | | | |
| Shareholders' funds | 990 | 964 | 1,161 | 717 | 1,295 |
| Capital resources | 2,250 | 2,457 | 2,540 | 2,245 | 3,014 |
| Deposits | 17,995 | 20,169 | 19,020 | 25,463 | 27,314 |
| Advances to customers | 14,074 | 16,336 | 15,183 | 18,385 | 18,816 |
| Total assets | 22,141 | 24,668 | 23,692 | 29,733 | 32,225 |
| Equity(2) as percentage of total assets | 4·6% | 4·1% | 5·1% | 2·8% | 4·4% |
| Basle convergence ratio: Total capital | 10·7% | 9·2% | 10·4% | Not applicable | |
| US$/£ exchange rate (end year) | 1·93 | 1·61 | 1·81 | 1·88 | 1·47 |

(1) Dividends and earnings per share for 1986 to 1988 have been restated to take account of the bonus element of the 1988 Rights Issue.

(2) Shareholders' funds plus minority interests.

(3) Results for 1986 and 1987 have been restated in accordance with the current accounting policy for disposals of revalued assets.

## SUPPLEMENTARY FINANCIAL INFORMATION

The following supplementary financial information includes analyses by geographic region, which are based on the location of the office in which the business is recorded. Cross border exposure is set out on page 52.

| **Profit before charge for debts** | 1990 £ million | 1989 £ million |
|---|---|---|
| Continuing businesses | | |
| Interest income | **2,333·7** | 2,473·3 |
| Interest expense | **(1,694·0)** | (1,826·9) |
| Net interest income | **639·7** | 646·4 |
| Other operating income | **365·3** | 380 9 |
| Net revenue | **1,005·0** | 1,027·3 |
| Operating expenses: | | |
| Staff | **(329·9)** | (340 4) |
| Premises and equipment | **(159·5)** | (135·2) |
| Other | **(157·8)** | (155·0) |
| | **(647·2)** | (630·6) |
| **Profit of continuing businesses before charge for debts** | **357·8** | 396·7 |
| Problem country debt unit | **(44·8)** | (16·7) |
| Businesses sold or being sold | **—** | 10·0 |
| Total Group profit before charge for debts | **313·0** | 390·0 |
| Continuing businesses | | |
| Operating expenses as percentage of net revenue | **64·4%** | 61·4% |

| **Profit of continuing businesses by geographic region** | Profit before charge for debts £ million | 1990 Charge for debts £ million | Trading profit £ million |
|---|---|---|---|
| Asia Pacific | **178·5** | **(25·4)** | **153·1** |
| Australia | **(7·7)** | **(26·9)** | **(34·6)** |
| North America | **(4·9)** | **(6·4)** | **(11·3)** |
| United Kingdom and Europe | **127·1** | **(107·8)** | **19·3** |
| Africa | **37·5** | **(5·0)** | **32·5** |
| Middle East and South Asia | **27·3** | **(3·2)** | **24·1** |
| Continuing businesses | **357·8** | **(174·7)** | **183·1** |

| | Profit before charge for debts £ million | 1989 Charge for debts £ million | Trading profit £ million |
|---|---|---|---|
| Asia Pacific | 177·1 | (67·5) | 109·6 |
| Australia | (9·6) | (34·1) | (43·7) |
| North America | 11·1 | (0·9) | 10·2 |
| United Kingdom and Europe | 150·0 | (40·1) | 109·9 |
| Africa | 41·3 | (9·5) | 31·8 |
| Middle East and South Asia | 26·8 | (9·4) | 17 4 |
| Continuing businesses | 396·7 | (161·5) | 235·2 |

*Group expenses and the benefit of the Group's capital have been allocated across continuing businesses in proportion to their risk weighted assets. The 1989 figures have been restated accordingly.*

| Analysis of the charge for taxation | 1990 Profit £ million | 1990 Tax £ million | 1989 Profit £ million | 1989 Tax £ million |
|---|---|---|---|---|
| Tax on worldwide profits before undermentioned items | 101·5 | (65·9) | 253·1 | (110·5) |
| Profit in overseas subsidiaries on which tax eliminated by losses brought forward | 8·0 | — | 9·5 | — |
| Losses in overseas subsidiaries on which no tax relief was recognised | (39·5) | — | (30·3) | — |
| ACT not used against UK tax liabilities | | (14·6) | | (22·3) |
| Exceptional items | — | — | (165·2) | 27·6 |
| Anticipated tax relief now written off | | (7·6) | | — |
| Overseas tax credits not used | | (28·5) | | — |
| | 150·0 | (116·6) | 67·1 | (105·2) |

The tax charge is high in relation to profits. This arises from a number of causes, some of which are of an abnormal nature.

The Group operates in over 50 countries, and pays tax in each country on the profits made there. In 1990 taxes on profits of £181·5 million amounted to £65·9 million, an average rate of 36·3 per cent. In addition, there were untaxed profits and unrelieved losses in some countries. In 1990, the Group's taxable profit arising in the UK was very small, and the resulting liability for UK corporation tax was minimal. The Group was therefore unable to take advantage of ACT arising on dividends. No value is now placed on tax relief of £7·6 million anticipated in respect of overseas losses in earlier years, and this amount has been written off. Finally, local taxes payable on overseas branch profits are available to discharge the UK tax liability on these profits but the 1990 UK liability has been extinguished by losses brought forward; therefore advantage cannot be taken of these overseas tax credits, resulting in a charge of £28·5 million.

| Current, deposit and other accounts | 1990 £ million | 1989 £ million |
|---|---|---|
| Analysis of current and deposit accounts by geographic region: | | |
| Asia Pacific | 9,100·5 | 9,280·4 |
| Australia | 223·3 | 506·6 |
| North America | 670·6 | 707·3 |
| United Kingdom and Europe | 6,375·8 | 7,816·4 |
| Africa | 842·0 | 934·9 |
| Middle East and South Asia | 783·1 | 943·7 |
| Current and deposit accounts | 17,995·3 | 20,189·3 |
| Notes in circulation | 406·7 | 479·2 |
| Other accounts | 1,416·9 | 1,415·1 |
| | 19,818·9 | 22,083·6 |

| Analysis of total assets by geographic region | 1990 £ million | 1989 £ million |
|---|---|---|
| Asia Pacific | 10,031·0 | 10,591·0 |
| Australia | 232·1 | 602·3 |
| North America | 1,038·8 | 1,444·7 |
| United Kingdom and Europe | 8,036·2 | 8,[illegible]83·3 |
| Africa | 1,051·6 | 1,192·5 |
| Middle East and South Asia | 930·2 | 964·4 |
| Continuing businesses | 21,319·9 | 23,578·2 |
| Problem country debt unit | 820·7 | 1,029·0 |
| Businesses sold or being sold | — | 60·8 |
| | 22,140·6 | 24,668·0 |

Central assets have been allocated across continuing businesses in proportion to their risk weighted assets. The 1989 figures have been restated accordingly.

### Cross border assets

At 31 December 1990 the amounts, excluding amounts externally secured, which exceed 1 per cent of the Group's total assets were as follows:

| | Public sector £ million | Banks £ million | Other £ million | TOTAL £ million |
|---|---|---|---|---|
| Australia | 2 | 148 | 234 | 384 |
| China | 20 | 100 | 186 | 306 |
| France | 26 | 325 | 6 | 357 |
| Hong Kong | – | 100 | 427 | 527 |
| Italy | 174 | 458 | 16 | 648 |
| Japan | 1 | 1,626 | 42 | 1,669 |
| Korea | 2 | 133 | 102 | 237 |
| South Africa | 129 | 119 | 183 | 431 |
| Switzerland | 1 | 102 | 217 | 320 |
| USA | 45 | 131 | 246 | 422 |

### Advances to customers and other accounts

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Lendings to customers | 12,016·4 | 13,831·4 |
| Receivables under instalment credit agreements | 866·1 | 1,298·9 |
| Equipment leased to customers | 651·2 | 563·0 |
| Trade and other bills | 540·2 | 642·2 |
| Advances to customers | 14,073·9 | 16,335·5 |
| Placings with banks over 30 days | 2,678·2 | 3,493·2 |
| Bullion and other metal dealing stocks | 136·7 | 522·5 |
| Deferred tax relief | 12·3 | 36·8 |
| Other accounts, including interest receivable | 967·3 | 933·3 |
| Assets awaiting sale | 40·8 | 94·3 |
| | 17,909·2 | 21,415·6 |
| Less: provisions for bad and doubtful debts (note 18 to the accounts) | (1,151·6) | (1,429·6) |
| | 16,757·6 | 19,986·0 |

### Advances to customers by geographic region

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Asia Pacific | 6,481·0 | 7,353·2 |
| Australia | 224·1 | 548·0 |
| North America | 560·8 | 685·5 |
| United Kingdom and Europe | 4,369·1 | 4,905·4 |
| Africa | 607·6 | 663·6 |
| Middle East and South Asia | 564·0 | 570·8 |
| Continuing businesses | 12,806·6 | 14,726·5 |
| Problem country debt unit | 1,267·3 | 1,609·0 |
| | 14,073·9 | 16,335·5 |

### Advances to customers by maturity

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Amounts due: | | |
| Within 1 year | 7,941·9 | 9,021·2 |
| Between 1 and 5 years | 4,106·6 | 4,693·3 |
| Between 5 and 10 years | 1,272·6 | 1,688·5 |
| After 10 years | 752·8 | 932·5 |
| | 14,073·9 | 16,335·5 |

### Problem country debt

The Group's exposure to countries experiencing external liquidity problems is mainly in US dollars. Provisionable exposure excludes exposure externally secured or advanced on a voluntary short term basis. At 31 December, provisionable exposure together with the related provisions (expressed both in US$ and £ equivalents) comprised:

| | 1990 | | 1989 | |
|---|---|---|---|---|
| | US$ million | £ million | US$ million | £ million |
| LDC | | | | |
| Exposure | 1,318 | 683 | 1,969 | 1,223 |
| Provision | (871) | (451) | (1,226) | (761) |
| Net book value | 447 | 232 | 743 | 462 |
| Provision as per cent of exposure | 66% | | 62% | |
| ENHANCED DEBT* | | | | |
| Exposure | 618 | 320 | 317 | 197 |
| Provision | (203) | (105) | (111) | (69) |
| Net book value | 415 | 215 | 206 | 128 |
| Provision as per cent of exposure | 33% | | 35% | |
| SOUTH AFRICA | | | | |
| Exposure | 809 | 419 | 945 | 587 |
| Provision | (40) | (21) | (47) | (29) |
| Net book value | 769 | 398 | 898 | 558 |
| Provision as per cent of exposure | 5% | | 5% | |

*This represents Mexican and Venezuelan debt exchanged into US$ Par Bonds (1989 — Mexican debt only).

### Capital ratios

| | 1990 £ million | 1989 £ million |
|---|---|---|
| Capital: | | |
| Tier 1 | 891 | 934 |
| Tier 2 | 891 | 934 |
| | 1,782 | 1,868 |
| Associated undertakings and other adjustments | (27) | (29) |
| Adjusted Capital Base | 1,755 | 1,839 |
| Risk weighted assets | 13,364 | 16,033 |
| Risk weighted contingents | 3,023 | 3,949 |
| Total Risk weighted assets and contingents | 16,387 | 19,982 |
| Basle Convergence Ratios | | |
| Tier 1 capital | 5·4% | 4·7% |
| Total capital | 10·7% | 9·2% |

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