REPORT TO SHAREHOLDERS

1992

TSB GROUP PLC

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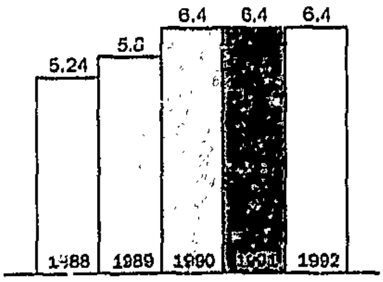
Company No 95000

REPORT TO SHAREHOLDERS

The Group's profit before tax for the year to 31 October 1992 was £43 million (1991–loss of £47 million). Operating profit before provisions for bad and doubtful debts increased to £648 million (1991–£619 million). Provisions for bad and doubtful debts were £597 million (1991–£654 million).

TSB Retail Banking and Insurance increased its profit by 8% to £426 million (1991–£396 million). Excluding the loss of £379 million on loans transferred to the Loan Administration Unit, Hill Samuel Bank made a profit of £54 million. The other Hill Samuel businesses made a profit of £30 million (1991–£16 million).

Dividends per share (pence)



The recommended final dividend is 3.25p net which, together with the interim dividend paid last October of 3.15p, maintains the total dividend at 6.4p. This reflects the record profit achieved before provisions, the Board's confidence in the long-term profitability of the Group, and the Group's financial strength.

Financial Calendar 1993

Ex dividend date	15 February
Annual General Meeting	23 March
Final dividend for the year ended 31 October 1992 payable	5 April
Half-year results to 30 April 1993 announced	Late June
Interim dividend for the year to 31 October 1993 payable	October

CHAIRMAN'S STATEMENT

The Group profit before tax for the year ended 31 October 1992 was £43m compared with a loss of £47m in 1991.

The directors recommend a final dividend of 3.25p net per ordinary share making an unchanged total for the year of 6.4p. Our policy is to provide shareholders with a dividend increase above the rate of inflation, provided that trading experience and prospects justify it. The trading results this year, which are largely attributable to the continuance of the deep recession in the United Kingdom economy and particularly to the further severe slide in property values, do not justify an increase. The maintenance of the dividend reflects the record profit achieved before the charge for bad and doubtful debts, our confidence in the long-term profitability of the Group, and the Group's financial strength.

Sir Nicholas Goodison
Chairman

The Group risk asset ratio stands at 11.7%, one of the strongest in the UK banking sector.

Provisions for Bad and Doubtful Debts

The results are again dominated by the impact of provisions for bad and doubtful debts. The charge in the accounts of £597m is lower than last year (£654m) but higher than expected at the time of our half-year results.

The figures reflect the depression of the property market. At the time of the half-year statement in June indications were that some slight recovery in the economy should be evident in 1992. The commonly held view was that consumers and investors had been holding off until after the general election and that, once the political uncertainty was resolved, the economy would pick up. A significant further decline in property values was not expected. In the event there has been a deepening loss of confidence.

There has not been a worse market in commercial or residential property in living business memory. It is virtually impossible to assess the value of many buildings with any confidence. The assumptions used in earlier valuations are no longer tenable.

Loans to property companies made during the 1980's represented a large proportion of Hill Samuel Bank's total loan book. Many of the loans were to companies which are now in receivership following the collapse of demand for commercial space. This book generally is of poor quality.

In view of the further decline in property markets since the half-year results, management has conducted a further thorough review of the loan books. This review has led to higher provisions, particularly on commercial property loans. The further decline in the housing market has also resulted in substantially increased provisions for Mortgage Express. However our TSB branch mortgage book, which stands at £4.8bn, required new provisions of only £5m.

Group Summary

Operating profit before provisions for bad and doubtful debts increased to £648m (1991–£619m). This was despite a fall of £68m in net interest income, which reflected a narrower profit margin on deposits and the loss of income from non-performing loans in Hill Samuel Bank and Mortgage Express. There was a general increase in non-interest income across the Group.

Costs have been well controlled and absorbed 66.3% of Group operating income, an improvement of 1.5% compared with 1991. Retail Banking has similarly improved and costs absorbed 62.9% of operating income (1991–64.4%).

During the year we have made significant further progress in the overall reorganisation of the TSB Group. We have taken the final step to combine retail banking and insurance to create a true 'bancassurance' business, streamlining management and reducing costs. We have also integrated the operational duties of the Group head office with the head office of TSB Bank plc, reflecting the importance of TSB's retail banking and insurance business to the Group. Peter Ellwood, formerly Chief Executive of TSB Retail Banking and Insurance, has succeeded Don McCrickard as Group Chief Executive.

This closer integration of the head offices has underlined the Group's strategic focus on building TSB's banking and insurance business, particularly for personal customers. This is a strong business with seven million customers. It offers an integrated range of banking and insurance services tailored to customers' needs, backed by well-trained and professional staff and supported by one of the most advanced technology systems in UK financial services. It has been successfully streamlined during the last three years under the leadership of Peter Ellwood. It is, far and away, the largest part of the Group's business.

We have reorganised Hill Samuel Bank, concentrating on fee and commission producing activities, while developing its corporate banking business with customers with whom it has a wider relationship. We have isolated the portfolio of bad and doubtful debts in order to allow Hill Samuel Bank's management to concentrate on its task of developing its continuing business. The responsibility for these bad and doubtful debts has been transferred to TSB Bank and will in future be separately managed under the title 'Loan Administration Unit'. Advances before provisions managed by the Loan Administration Unit amount to £1.8bn. Property advances account for £885m. Cumulative provisions are £883m (49%).

All parts of the Group are managed for the benefit of shareholders, ensuring that they contribute to the Group's earnings and creating value out of them. It is not our policy to sell businesses out of which we can create greater value for shareholders, unless we receive an offer from a buyer that we believe is in the interests of TSB shareholders. We have sold a number of businesses, including in the last two years Hill House Hammond, TSB Bank Northern Ireland, Swan National Motors, Wescol, UDT First Southern and London Bridge Finance.

We welcome the Cadbury Committee's report on the financial aspects of corporate governance published on 1 December 1992. We already comply with most aspects of the Committee's code of best practice and will include a formal statement of compliance in future reports.

TSB Retail Banking and Insurance

The figures for TSB Retail Banking and Insurance now exclude UDT which is covered under Commercial Activities, and Mortgage Express which is shown separately in the accounts. The overall profit of £426m (1991–£396m) is a good performance against the background of deep recession. There has been continuing pressure on profit margins as a result of a further decline in low interest rate deposits and a lack of demand for loans. Provisions for bad and doubtful debts have risen further. We expect continuing pressure on interest margins and net interest income in the immediate future but we are confident that our strategy of providing customers with more competitive products will ultimately lead to increased income.

During the last year the integration of the banking and insurance business has been achieved. This has been a major move, the aims being to improve the level of service provided to customers and to reduce costs. This reorganisation has resulted in some exceptional costs in 1992 but has led to further cost savings which will benefit future years. The reorganisation has unfortunately meant further reductions in members of staff and we are very grateful to them for the contribution they have made to TSB's business.

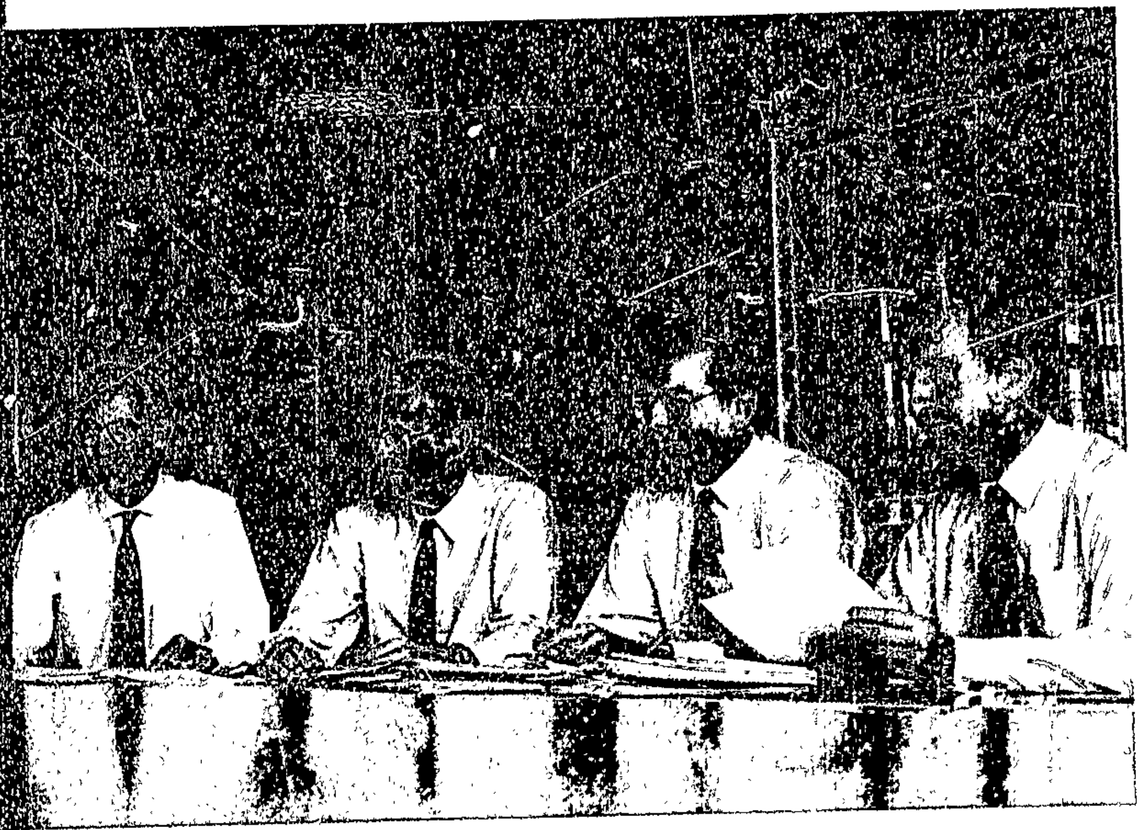
Competition remains strong. This applies not only to banking deposits and loans, but is also increasingly affecting insurance services as other banks and building societies develop along TSB's lines and offer life and general insurance services to their depositors and borrowers. It remains TSB's aim to compete effectively by providing the best possible service to customers. It is noteworthy that during the year TSB's highly competitive deposit accounts have shown strong growth, increasing by £2.4bn. The branch mortgage book has increased by £0.7bn, without relaxing the proven criteria on which applications are judged.

TSB Group Executive Committee

Christopher Smallwood, Strategic Development Director | Michael Fairey, Credit Director | Adrian Gozzard, Human Resources Director | Hugh Freedberg, Chief Executive, Hill Samuel and *Deputy Chief Executive*, TSB Group | Peter Ellwood, Chief Executive

The insurance business has achieved further growth despite the effects of the recession on demand for long-term savings products. General insurance has continued to grow, increasing income and improving its claims ratios, which is a creditable achievement.

In July 1992 we acquired the outstanding 49% of the shares in TSB Bank Channel Islands. We are confident that TSB Bank Channel Islands' business can be developed more profitably both for customers and shareholders.



John Burns
Finance Director

Peter Rowland
Secretary

John Elbourne
Chief Operating
Officer, TSB Retail
Banking and Insurance

Mervyn Pedelty
Chief Executive,
Commercial Operations
and Risk Director

Banks and building societies generally have been severely criticised during the last year. There is room for improvement in the general level of service. TSB is determined to achieve this. During the year TSB issued its code of banking practice modelled on the code agreed centrally by banks and building societies. We wrote to all our customers explaining the code and our services and were the first bank to announce that we would notify customers in advance of charges being made to their accounts.

Hill Samuel

Hill Samuel Bank's results are shown separately from the newly formed Loan Administration Unit. The profit was £54m. Because all doubtful loans have been transferred to the Loan Administration Unit, there is no net bad debt charge in 1992. Hill Samuel Bank's loan book is now £2.5bn.

The profit of Hill Samuel Financial Services increased to £16m (1991–£3m). Hill Samuel Investment Management Group improved to £14m (1991–£13m). We are pleased with progress at both these businesses which have completed rationalisation programmes to reduce costs and position themselves better for the future. Hill Samuel Investment Management has continued to increase its funds under management.

Other Businesses

Mortgage Express, as reported last year, is being run down and is not taking on new business. It incurred a loss of £67m (1991–£24m) as arrears have continued to rise and house prices have continued to fall. Mortgage Express's portfolio of mortgages, arranged through intermediaries, is concentrated in the South East of England which has been particularly badly hit by recession. It will take time to deal with Mortgage Express's problems and continuing losses can be expected. Our policy remains to keep customers in their homes, whenever possible, and to do what we can to help them not to fall too far behind in their payments.

The Commercial Activities overall increased their profits from £33m to £41m.

UDT has increased its profit by £2m to £28m in a difficult market. Margins have improved and costs have been controlled. Noble Lowndes has maintained its profit at £12m at a time when demand for pension administration and actuarial services is not increasing. Swan National has increased its profit substantially from the low level of last year to £10m. The company has benefited from increased discounts on new cars and has reduced the losses incurred in establishing the EuroDollar network in continental Europe. TSB Property Services has incurred a loss of £6m, slightly lower than last year. This group of estate agencies is deeply affected by the very low numbers of people buying or selling houses.

People

At the conclusion of the annual general meeting in March, Nigel Robson will be retiring from the Board. I thank him for his contribution to the affairs of the Group over the past years.

John Elbourne joined the Board in September on his appointment as Chief Operating Officer of TSB Retail Banking and Insurance. I welcome him on your behalf. He stands for election by shareholders at the annual general meeting.

1992 has seen further reorganisation and change in a difficult economic environment. Much has been achieved by staff throughout the Group and I thank them for their hard work during the past year.

Looking Ahead

In many respects business conditions will remain difficult and banks will continue to suffer in the current year from provisions against bad and doubtful debts. TSB is no exception. Nevertheless, for the UK economy as a whole there appear to be grounds for cautious optimism. Base rates have been reduced from 15% to 7% and there has been a substantial devaluation which should help UK exporters.

We are determined to achieve an improvement in shareholders' funds and in earnings per share which, of course, determine the level of dividends in the longer term.

13 January 1993

THE GROUP AND ITS BUSINESSES

Customer deposits: £14.5bn (1991: £12.8bn)

Customer lending: £8.6bn (£8.0bn)

Assets of life and pension funds: £2.7bn (£2.1bn)

Life and pensions annual premium equivalent £127m (£136m)

General insurance premiums £165m (£147m)

Credit card accounts: 2.9m (2.9m)

Number of customers: 7 million

Number of employees: 22,900

Number of branches: 1,380

TSB has 2,200 automated tellers (Speedbanks) and customers can access a further 4,300 machines around the country.

Retail Banking and Insurance

The principal element of TSB Group's business continues to be retail banking and insurance in the personal sector. This has come to be known as 'bancassurance' and is a formula which TSB has found to be successful for a number of years and is now being further developed.

TSB's position of leadership in bancassurance was further extended during the year with the total integration of the management of the banking and insurance businesses at its head office in Birmingham. This streamlining will enable TSB to better meet the financial needs of its customers through banking and insurance products.

Another TSB strength has been the use of advanced technology to support the financial needs of our seven million customers. TSB is the first bank to offer full up-to-the-second bank statements to customers. These can not only be obtained in branches but also 24 hours a day, through our automated teller network. Over one million statements a month are now issued in this way.

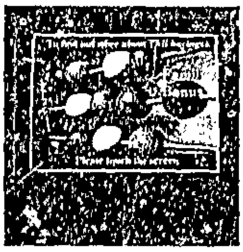
Other firsts include notifying customers of any charges before they are levied and enabling families to aggregate accounts to obtain higher interest rates in a unique Family Bonus scheme.

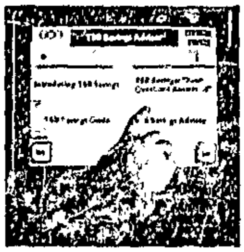
Family Bonus has been a particular success – launched in September, over 100,000 accounts had joined the scheme by December 1992. Customers can obtain higher rates of interest by registering their accounts as a family group. Individual accounts are still held separately but the family receives a rate of interest based on the total balance of all accounts in the group. As higher balances receive higher rates of interest there is the opportunity of receiving a bonus through this scheme. Our technology enables us to monitor the balance of all accounts in the family and calculate the additional bonus for each account.

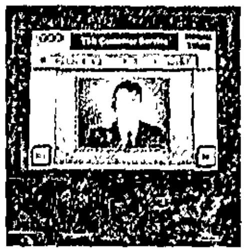
Meeting customer needs and quality of service are essential to operating in today's competitive environment. It is through the development of innovative products offering value for money and greater convenience, and through its emphasis on total quality management, that TSB will succeed. Last year TSB outperformed the market in a number of areas including: £2.4bn added to its highly competitive deposit accounts; 200,000 youth accounts opened; and the number of new mortgage advances arranged in branches increased by 24% over 1991.

Products such as Family Bonus, First Save, 60 Day Notice Account an Flexible Savings Account helped TSB outperform th market in a number of are during the year.

In Watford, a recently installed automated teller has been placed at a height convenient to disabled customers.







Some of TSB's newest automated teller machines allow customers to access information on a range of services available to them. Operating now in just a small number of branches, a telephone link enables customers to speak to specially trained staff. To help retain the personal touch, the staff member can be seen on screen.

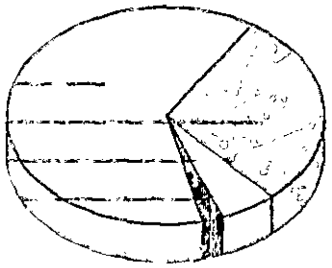
TSB Retail Banking and Insurance profit breakdown

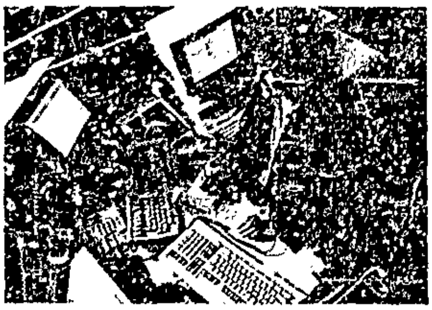
Banking £297m

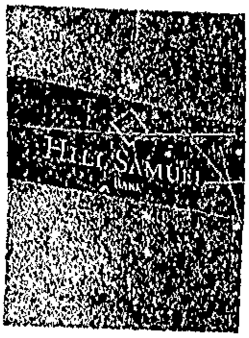
Life and pensions £98m

General Insurance £30m

Unit trusts and other £3m







Corporate Financial Services

The Hill Samuel businesses made a profit of £84m, excluding the loss of £379m on loans transferred to the Loan Administration Unit.

Hill Samuel Bank now focuses on its traditional role of merchant banking, including advice on capital raising and restructuring, flotations and public take-over bids and defences. In addition to this it operates a 'big ticket' financial leasing subsidiary and its treasury provides products and services to investors and the Bank's corporate clients. Hill Samuel Bank also provides specialist financing and advice in international shipping, aerospace and project finance.

Hill Samuel Investment Management Group saw continued growth with its funds under management reaching £20.1bn. Hill Samuel Financial Services, which provides investment and insurance products in the personal market, had a good year with an increased profit.

Commercial Activities

Noble Lowndes is the UK's largest employee benefits consultancy. Employing some 3,000 staff worldwide it advises 9,500 corporate clients and over 100,000 individuals. One in three of the Times Top 1,000 companies and one in four of the Fortune 500 US corporations are clients of Noble Lowndes.

Swan National maintains a leading position in the motor car leasing and rental businesses. Swan National Leasing is one of Britain's largest operators with a fleet in excess of 26,000 vehicles. The rental business trades under the EuroDollar brand operating in 30 countries.

UDT, which provides finance for motor vehicle and caravan purchase at the point of sale as well as finance for vehicle fleets, performed well. It increased its profit in a year when the motor vehicle market, on which it is heavily dependent, suffered heavily from the recession.

TSB Property Services has some 160 estate agency offices throughout the country.

Hill Samuel Investment Management Group saw its funds under management grow by 13% to £20bn. This company operates in the UK, US and Ireland.

TSB FOUNDATIONS

When the TSB Group was floated in 1986, it established four charitable foundations – in England and Wales, Scotland, the Channel Islands, and Northern Ireland – to perpetuate TSB's tradition of community involvement. The Foundations use TSB local knowledge to target cases of need at 'grass roots' level – often underfunded voluntary organisations – where help will be of immediate benefit to the community.

Local know-how is backed up by national financial support. The four Foundations – legally independent of the TSB Group – own 5% of the Group's share capital in the form of limited voting shares. In lieu of dividends they receive a covenanted income equal to 1% of the Group's pre-tax profit, averaged over three years. In the last year the Foundations have launched a successful employee fund raising Matched Giving Scheme to encourage TSB Group staff to initiate their own fund raising schemes.

The Foundations concentrate on three main areas – social and community work, education and training, and medical research. It is fundamental to the Foundations' policy to help physically and mentally disabled or disadvantaged people to play a part in the community and to lead, where possible, independent lives.

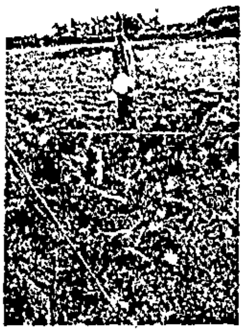
Since 1986 £13m has been distributed to nearly 5,000 charities, most of which has been given in sums of between £300 and £3,000.

Changing Faces – a new and innovative charity providing workshops for the facially disfigured.

Vauxhall Neighbourhood Council's 'Lifeline' – a 24-hour *emergency response service* for elderly and infirm people. (Top).

Sefton Enterprises provides *training* opportunities for young people. (Middle).

EMMAUS UK: *self supporting* communities for homeless people. (Bottom).



Clifton House nursing home for the elderly and infirm. (Above).

Surjamukhi Club – St Hilda's East London club for young people with physical disabilities. (Left).

DIRECTORS

Sir Nicholas Goodison, aged 58, joined the board in April 1988 and has been chairman since January 1989. He was chairman of the Stock Exchange from 1976 to 1988. He is a director of British Steel and General Accident. Interests in shares 30,525 (1991: 30,525). Options 693,058 (1991: 671 563).

*† **Sir David Plastow**, aged 60, joined the board as deputy chairman in May 1991 and is chairman of the audit and remuneration committees. He is chairman of Inchcape, deputy chairman of Guinness, a director of Cable and Wireless and other companies. Interests in shares 10,000 (10,000).

* **L Bolton**, aged 55, joined the board in October 1985. He is managing director of Alliance Trust and Second Alliance Trust and a director of General Accident. Interests in shares 5,390 (5,390).

J A Burns, aged 57, joined the board as finance director in February 1992. He was formerly a director of National Westminster Bank. Interests in shares 3,660 (660). Options 425,101 (Nil).

J K Elbourne, aged 48, joined the Group in 1991 and the board in September 1992. He is chief operating officer of TSB Retail Banking and Insurance. He was formerly group director (UK Operations) of Legal & General. Interests in shares Nil (Nil). Options 415,401 (415,401).

P B Ellwood, aged 49, joined the Group in 1989, the board in May 1990 and has been chief executive of the Group since August 1992. He is chairman of Visa EMEA. He was formerly chief executive of Barclaycard. Interests in shares 9,000 (9,000). Options 590,251 (441,264).

* **M H Field** CBE, aged 62, joined the board in October 1990. He was general manager and actuary of Phoenix Assurance from 1972 to 1985 and a director from 1980 to 1985. He was chairman of the Life Offices Association from 1983 to 1985 and president of the Institute of Actuaries from 1986 to 1988. Interests in shares 9,600 (9,600).

H R Freedberg, aged 47, joined the board in October 1990. He is deputy chief executive of the Group and chief executive of Hill Samuel. He was formerly chief executive officer of The Mortgage Corporation Group and previously had headed the consumer financial services, card and travel businesses of American Express in various parts of the world. Interests in shares 7,890 (3,030). Options 495,672 (477,815).

P A Harwood, aged 45, joined the board in April 1991. He is chairman of TSB Bank Channel Islands and a partner of advocates Ozanne Van Leuven Perrot & Evans. Interests in shares 2,090 (2,090).

* **J H F Macpherson** CBE, aged 66, joined the board in October 1985. He is chairman of TSB Bank Scotland. Formerly senior partner of chartered accountants, Touche Ross, in Scotland, he is a director of Scottish Mutual Assurance. Interests in shares 16,000 (16,000).

† **P G McCracken**, aged 44, joined the board in October 1991. He is an executive director of Marks & Spencer. Interests in shares 1,000 (1,000).

† **Lady Prior**, aged 62, joined the board in October 1985. She is a director of Tate & Lyle. Interests in shares 2,500 (2,500).

† **N J Robson**, aged 66, joined the board in October 1985. He was chairman of Grindlays Bank from 1977 to 1983. He is a member of the Board of Banking Supervision and chairman of Ottoman Bank. Interests in shares 5,150 (5,150).

P W S Rowland, Secretary

*Details of the directors of the Company as at the date of this annual review, are shown above. The symbol * indicates a member of the audit committee, the symbol † indicates a member of the remuneration committee.*

The interests in shares and options on shares of the Company, shown opposite, include the beneficial interests of the directors and their immediate families as at 31 October 1992; interests as at 31 October 1991, or at date of appointment if later, are shown in brackets. Shares acquired in the market by directors and options granted to directors during the year ended 31 October 1992 were as follows:

	Shares acquired	Price per share	Shares over which options granted	Option price per share
J A Burns	3,000	129.0p	425,101	123.5p
P B Ellwood	–	–	148,987	123.5p
H R Freedberg	4,860	122.5p	17,857*	105.0p
Sir Nicholas Goodison	–	–	3,495*	103.0p
Sir Nicholas Goodison	–	–	18,000*	105.0p

*Options granted under the Group's savings related Sharesave scheme which is available to all eligible employees.

Directors' Emoluments

The directors' emoluments, including bonus payments and pension contributions, in 1992 were £1.581m (1991 £1.756m).

The emoluments of the Chairman totalled £271,105 (1991 £262,990). No pension contributions were made by the Company or its subsidiaries in respect of the Chairman and he does not participate in any bonus or profit sharing schemes

The emoluments of the highest paid director, Mr P B Ellwood, were £373,407 (1991 £300,700). These emoluments included a bonus of £17,250 in respect of 1992 and a deferred bonus of £76,987 in respect of the three year period ended 31st October 1992. Both bonus payments were made under a scheme established in 1989 and were based on the performance of TSB Retail Banking and Insurance, of which he was chief executive, measured against predetermined targets.

No contributions to the TSB Group Pension Scheme were paid in respect of directors during the year.

A payment of £763,432 was made to Mr D C McCrickard, a former director, negotiated through external advisers on the basis of his contract of service which was terminated during the year

SUMMARY FINANCIAL STATEMENT

Business Review

TSB Group plc is the holding company for subsidiaries providing banking and related services, insurance and investment services, consultancy in employee benefits, vehicle rental and leasing and estate agency services.

The Group profit before taxation for the year ended 31 October 1992 was £43m. There was an extraordinary loss of £32m. Included in the summary consolidated profit and loss account on page 20 is an analysis by activity of the contributions to the profit before taxation.

After a transfer to non-distributable reserves and provision for dividends, £181m was transferred from distributable reserves.

Dividends

The directors recommend a final dividend of 3.25p net per ordinary share which, with the interim dividend of 3.15p net per ordinary share paid on 5 October 1992, will make a total for the year of 6.4p net per ordinary share. Subject to approval at the annual general meeting, the final dividend will be paid on 5 April 1993 to shareholders on the register on 26 February 1993.

Shareholders

At 31 December 1992 there were 1.25 million shareholders, 95% of whom held 1,000 ordinary shares or less. 42% of the ordinary shares were held by individuals.

The Company has been advised that Schroders plc and certain of its subsidiaries have interests in 4.04% of the ordinary share capital of the Company and Phillips & Drew Fund Management Limited has interests in 3.00% of the ordinary share capital. Shares held by TSB Group Holdings (Jersey) Limited for use in respect of the Group's employee share and share option schemes represent 3.92% of the ordinary share capital.

Donations

During the year the Group made charitable donations of £1,702,321, including £1,346,667 to the four TSB Foundations.

No donations were made for political purposes.

Employees

The Group is committed to employee involvement and has a number of established consultative and collective bargaining arrangements operating at company level which ensure that the views of employees are taken into account. Financial involvement through shareholding in the Group is encouraged through profit sharing and share option schemes. The Group is committed to providing equal opportunities in employment.

Environmental Policy

The Group has an environmental policy with objectives that include minimising waste from all activities, encouraging employee involvement in environmental improvement, carrying out regular assessment of the environmental impact of all business operations and assisting in developing solutions to environmental problems. Regular reviews of all environmental issues are undertaken.

Articles of Association

The articles of association of the Company (which regulate the rights of shareholders and the internal administration of the Company) have remained substantially unaltered since the incorporation of the Company in 1985. A special resolution to adopt new articles of association reflecting changes in the law and regulations and developments in corporate administration is to be proposed at the annual general meeting on 23 March 1993. The principal proposed changes to the articles of association are set out in the notes accompanying the notice of the annual general meeting.

Directors

Details of the directors of the Company as at the date of the annual review are shown on page 16. Mr D M Backhouse, Sir Richard Lloyd, Mr D C McCrickard and Mr D C Mootham resigned or retired from the board during the year.

This summary financial statement is only a summary of information contained in the Group's full annual accounts and directors' report. It does not contain sufficient information to allow for a full understanding of the results of the Group and state of affairs of the Company and of the Group. For further information the full annual accounts, the auditors' report on those accounts and the directors' report should be consulted. The receipt of a summary financial statement does not remove the right of shareholders to demand, free of charge, a copy of the Group's latest full annual accounts and directors' report.

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 October

	1992 £m	1991 £m
Profit/(loss) before taxation:		
TSB Retail Banking and Insurance		
TSB Retail Banking	297	276
TSB Insurance	129	120
	426	396
Hill Samuel		
Hill Samuel Insurance and Investment	30	16
Hill Samuel Bank	54	
Loan Administration Unit	(379)	(421)
	(295)	(405)
Commercial Activities	41	33
Mortgage Express	(67)	(24)
Operating profit	105	-
Central costs, including interest	(60)	(59)
Results of businesses sold	6	24
Exceptional items (note 1, page 22)	(8)	(12)
Profit/(loss) before taxation	43	(47)
Taxation	(28)	1
Profit/(loss) after taxation	15	(46)
Minority interests	(7)	(4)
Profit/(loss) after taxation and minority interests	8	(50)
Extraordinary items after taxation (note 2, page 22)	(32)	51
(Loss)/profit after taxation and extraordinary items	(24)	1
Transfer to non-distributable reserves	(64)	(38)
Dividends	(93)	(92)
Transfer from distributable reserves	(181)	(129)
Earnings/(loss) per ordinary share	0.6p	(3.5)p
Net dividend per ordinary share	6.4p	6.4p

Directors' Emoluments

Details of directors' emoluments are set out on page 17.

SUMMARY CONSOLIDATED BALANCE SHEET

As at 31 October

	1992 £m	1991 £m
Assets		
Cash, securities, loans and investments	9,126	6,611
Advances to customers	16,301	17,190
Premises and equipment	745	765
Value and assets of long-term life assurance and pension businesses	5,002	4,469
Other assets	1,008	899
	32,182	29,934
Capital resources and liabilities		
Share capital	398	396
Reserves	1,240	1,346
Minority interests	7	33
Loan capital	701	694
	2,346	2,469
Current and deposit accounts	23,403	21,727
Long-term life assurance and pension business funds	4,593	4,124
Other liabilities	1,840	1,614
	32,182	29,934

Auditors' Statement to the Members of TSB Group plc

In our opinion the summary financial statement on pages 18 to 22 is consistent with the annual accounts and directors' report of TSB Group plc for the year ended 31 October 1992 and complies with the requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

KPMG Peat Marwick, Chartered Accountants, Registered Auditors, London

13 January 1993

Full Annual Accounts

The report of the auditors on the full accounts for the year ended 31 October 1992 was unqualified and did not contain a statement made under either section 237(2) of the Companies Act 1985 (accounting records or returns inadequate or accounts not agreeing with records or returns) or section 237(3) (failure to obtain necessary information and explanations).

NOTES TO THE ACCOUNTS

1. Exceptional Items

Exceptional items comprise reorganisation and restructuring costs of £38m (1991 £12m) offset in 1992 by the profit impact of a changed commission assumption in the valuation of the long-term life assurance and pension businesses of £30m.

2. Extraordinary Items

Extraordinary items relate to the (loss)/profit arising on the sale or closure of subsidiaries and are after a tax credit of £5m (1991 £1m) Included in the 1992 figure is a further provision of £12m in respect of the sale and closure of the Target group.

3. Contingent Liabilities

At 31 October 1992 guarantees, acceptances and endorsements totalled £518m (1991 £495m), other contingent liabilities £32m (1991 £119m), performance bonds and other transaction-related contingencies £36m (1991 £254m) and documentary credits and other short-term trade related contingencies £70m (1991 £70m). These transactions, which are entered into on behalf of customers, are not included in the consolidated balance sheet. In addition there are outstanding financial futures contracts, forward contracts for the purchase and sale of foreign currencies and various other facilities to customers. It is not envisaged that any unprovided irrecoverable liability will arise from these transactions.

This summary financial statement was approved by the directors on 13 January 1993 and signed on their behalf by Sir Nicholas Goodison.

FIVE YEAR FINANCIAL SUMMARY

	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
Profit and Loss Account					
Profit before charge for bad and doubtful debts	648	619	573	448	465
Charge for bad and doubtful debts	597	654	261	92	45
Trading surplus/(deficit)	51	(35)	312	356	420
Exceptional items	(8)	(12)	–	(201)	–
Profit/(loss) before taxation	43	(47)	312	155	420
Balance Sheet Extracts					
Total assets	32,182	29,934	30,799	29,248	25,552
Advances (net of provisions)	16,301	17,190	17,206	14,401	11,189
Current and deposit accounts	23,403	21,727	23,047	21,509	18,952
Shareholders' funds	1,638	1,742	1,814	1,853	1,866
Other Information					
Earnings/(loss) per share (pence)	0.6	(3.5)	13.4	6.6	19.2
Net dividend per share (pence)	[illegible].40	6.40	6.40	5.80	5.24
Share price at year end (pence)	135.5	133.0	130.0	104.0	107.5

REGIONAL SHAREHOLDER MEETINGS

Regional meetings also provide opportunities for informal discussions with board members.

Once again we will be holding Regional Shareholder Meetings in addition to the annual general meeting in Glasgow on Tuesday 23 March.

These meetings give an opportunity for shareholders to hear more about their company in a relaxed atmosphere. There will also be an opportunity to ask questions of the senior TSB staff present both formally during the meeting and informally, over a cup of tea or coffee, before and after the meeting.

The meetings this year are being held in Birmingham, Sheffield and Bournemouth. Further details are given below and if you would like a ticket then you should complete the application form which is attached to the proxy form enclosed with this mailing. It should be remembered that tickets will be issued on a 'first come first served' basis.

Birmingham
29 March at 7.00 pm, 30 March at 11.00 am
The Grand Hotel, Colmore Row
Birmingham

Sheffield
31 March at 7.00 pm, 1 April at 11.00 am
Holiday Inn, Victoria Station Road
Sheffield

Bournemouth
5 April at 7.00 pm, 6 April at 11.00 am
The Swallow Highcliff Hotel, St Michael's Road
Bournemouth

A presentation given at a meeting in 1992.

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BANKING & INSURANCE 1992

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Directors' Interests in Shares

Company No 95000

REPORT TO SHAREHOLDERS

Accounts

This document contains the Accounts of the TSB Group for the year ended 31 October 1992, together with the reports of the directors and auditors.

The Annual Review contains the chairman's statement and summary financial statement and forms an integral part of the Report to Shareholders.

Directors

Sir Nicholas Goodison *Chairman*
Sir David Plastow *Deputy Chairman*
L Bolton
J A Burns
J K Elbourne
P B Ellwood *Chief Executive*
M H Field CBE
H R Freedberg
P A Harwood
J H F Macpherson CBE
P G McCracken
Lady Prior
N J Robson

P W S Rowland *Secretary*

DIRECTORS' REPORT

The directors present their annual report and the audited accounts of the Company and its subsidiaries for the year ended 31 October 1992.

Principal activities

TSB Group plc is the holding company for subsidiaries providing banking and related services, insurance and investment services, consultancy in employee benefits, vehicle rental and leasing and estate agency services. The principal subsidiary companies involved in these activities are shown on page 5. Included in the consolidated profit and loss account on page 6 is an analysis by activity of the contributions to the profit before taxation.

Profit and dividends

The Group profit after taxation attributable to the shareholders for the year ended 31 October 1992 was £8m. There was also an extraordinary loss of £32m. After a transfer to non-distributable reserves and provision for dividends, £181m was transferred from distributable reserves.

On 24 June 1992 the directors declared an interim dividend of 3.15p net per ordinary share which was paid on 5 October 1992.

The directors recommend a final dividend of 3.25p net per ordinary share which, subject to approval at the annual general meeting, will be paid on 5 April 1993 to shareholders on the register on 26 February 1993.

The final dividend, together with the interim dividend already paid, makes a total of 6.4p net per ordinary share for the year.

TSB Group Holdings (Jersey) Limited and Noble Lowndes Settlement Trustees Limited, the trustees of the TSB Group employee trust, have waived their entitlement to any dividend on shares held by them for use in respect of the Group's employee share and share option schemes.

Capital

Resolutions to continue for a further year the authorities to allot unissued ordinary shares in the Company are contained in the notice of the annual general meeting.

An authority for the Company to purchase its own shares through the stock market existed at the year end. The authority, which is limited to the purchase of up to 223 million ordinary shares (14.8% of its issued ordinary share capital), was not used during the year. A resolution to renew the authority, which will otherwise expire at the conclusion of the annual general meeting, for a period of up to 18 months is contained in the notice of the annual general meeting.

Premises and equipment

Details of premises and equipment are set out on pages 18 and 19.

Subsidiaries

The sale of UDT Bank Limited, which traded in the Republic of Ireland as UDT First Southern Bank, was completed on 11 March 1992.

The sale of London Bridge Finance Limited was completed on 8 April 1992.

The sale of the Group's shipping agency operations in the United Kingdom and the USA and shipbroking operations in the United Kingdom and Japan was completed on 18 May 1992. The sale of the shipping services operations based in the United Kingdom and Australasia was completed on 7 August 1992.

The sale of the retail motor distribution operations of Swan National Motors Limited was completed on 4 June 1992.

Following a recommended offer for the outstanding 49% of the shares in TSB Bank Channel Islands Limited made on 2 June 1992 and approval of a scheme of arrangement made in accordance with Jersey law, TSB Bank Channel Islands became a wholly-owned subsidiary of the Company on 10 July 1992.

Directors

Sir Richard Lloyd and Mr D C Mootham retired from the board at the conclusion of the annual general meeting on 26 March 1992. Mr D C McCrickard resigned from the board on 24 August 1992. Mr D M Backhouse resigned from the board on 10 November 1992.

Mr J A Burns was appointed a director on 1 February 1992 and Mr J K Elbourne was appointed a director on 9 September 1992. As a director appointed since the last annual general meeting Mr Elbourne retires at the annual general meeting on 23 March 1993 and, being eligible, offers himself for election.

The directors retiring by rotation at the annual general meeting are Mr L Bolton and Mr N J Robson. Mr Bolton, being eligible, offers himself for re-election. Mr Robson, although eligible, is not seeking re-election.

The directors' interests in shares and loan notes of the Company and shares of TSB Bank Channel Islands Limited are shown on pages 31 and 32.

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

No director being proposed for election or re-election has a service contract with the Company or any of its subsidiaries which is terminable at more than one year's notice.

The Company maintains insurance providing liability cover for directors and officers of the Company and its subsidiaries

Employees

The average number of employees of the Group in the United Kingdom during the year was 36,715, including 5,284 part-time staff, and their aggregate remuneration (excluding pension contributions), part of which was borne by the life assurance and pension business funds, amounted to £558m.

The Group is committed to employee involvement and uses a variety of methods to inform, consult and involve its employees. There are a number of well-established consultative and collective bargaining arrangements operating at company level which ensure that the views of employees are taken into account in reaching decisions. Within this framework, emphasis continues to be placed on developing greater awareness of the financial and economic factors which affect the performance of the Group. Financial involvement through shareholding in the Group is encouraged through profit sharing and share option schemes, with participation in the savings related share option scheme being substantial.

The Group is committed to providing equal opportunities in employment. Its long-term policy is to achieve a workforce closely matched in respect of race, sex and disability to the composition of the community it serves.

Donations

During the year the Group made charitable donations of £1,702,321, including £1,346,667 to the four TSB Foundations.

No donations were made for political purposes.

Environmental policy

The Group has an environmental policy with objectives that include minimising waste from all activities, encouraging employee involvement in environmental improvement, carrying out regular assessment of the environmental impact of all business operations and assisting in developing solutions to environmental problems. Regular reviews of all environmental issues are undertaken.

Taxation

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Shareholders

At 31 December 1992 there were 1.25 million shareholders, 95% of whom held 1,000 ordinary shares or less. 42% of the issued ordinary shares were held by individuals. An analysis of shareholders is shown on page 30.

Substantial shareholdings

The Company has been notified that Schroders plc and certain of its subsidiaries have interests in 4.04% of the issued ordinary share capital of the Company through their management of investment portfolios for clients on a discretionary basis. The Company has also been notified that Phillips & Drew Fund Management Limited has interests in 3.00% of the issued ordinary share capital. The shares held by TSB Group Holdings (Jersey) Limited represent 3.92% of the issued ordinary share capital.

Articles of association

The articles of association of the Company (which regulate the rights of shareholders and the internal administration of the Company) have remained substantially unaltered since the incorporation of the Company in 1985. Changes in the law and regulations to which the Company is subject and developments in corporate administration justify a number of modifications to the existing articles of association. In preference to piecemeal amendment of the existing articles, which would necessitate an extremely lengthy and complex resolution, the modifications will be effected by the adoption of new articles of association. A special resolution for this purpose is set out in the notice of the annual general meeting.

The principal proposed changes to the articles of association are set out in the explanatory notes on the resolutions to be considered at the annual general meeting.

Auditors

KPMG Peat Marwick have signified their willingness to be re-appointed auditors and a resolution to that effect will be proposed at the annual general meeting.

By order of the board
P S Rowland
Secretary

13 January 1993

PRINCIPAL SUBSIDIARIES

TSB Retail Banking and Insurance	TSB Bank plc	Banking and related services
	TSB Bank Channel Islands Limited	Banking and related services (Incorporated in Jersey)
	TSB Bank Scotland plc	Banking and related services (Incorporated in Scotland)
	TSB Trust Company Limited*	Life assurance, pensions, general insurance and unit trust management
Hill Samuel	Hill Samuel Bank Limited	Corporate and merchant banking
	Hill Samuel Investment Management Group Limited*	Investment management
	Hill Samuel Investment Services Group Limited*	Life assurance and investment products for private individuals
Commercial	Noble Lowndes Group Limited	Employee benefit consultancy and actuarial services
	Swan National Limited	Vehicle rental and leasing
	TSB Mortgages Limited	Mortgage services
	TSB Property Services Limited	Estate agencies
	United Dominions Trust Limited	Consumer credit, leasing and related services

All subsidiaries are incorporated in England and Wales unless otherwise indicated.

At 31 October 1992 all of the above companies were wholly owned within the TSB Group. Those companies indicated by an asterisk are directly owned by TSB Group plc.

Accounts of the companies are made up to 31 October, except for Swan National Limited and TSB Property Services Limited and their subsidiaries, whose accounts are made up to 30 September in order to avoid delay in the preparation of the Group accounts.

Auditors' Report to the Members of TSB Group plc

We have audited the accounts on pages 6 to 27 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 October 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick KPMG Peat Marwick
Chartered Accountants
Registered Auditors
London

13 January 1993

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 October

Note		1992 £m	1991 £m
3	Profit/(loss) before taxation:		
	TSB Retail Banking and Insurance		
3	TSB Retail Banking	297	276
	TSB Insurance	129	120
		426	396
	Hill Samuel		
	Hill Samuel Insurance and Investment	30	16
3	Hill Samuel Bank	54	(421)
3	Loan Administration Unit	(379)	
		(295)	(405)
3	Commercial Activities	41	33
3	Mortgage Express	(67)	(24)
	Operating profit	105	–
	Central costs, including interest	(60)	(59)
	Results of businesses sold	6	24
6	Exceptional items	(8)	(12)
	Profit/(loss) before taxation	43	(47)
7	Taxation	(28)	1
	Profit/(loss) after taxation	15	(46)
	Minority interests	(7)	(4)
	Profit/(loss) after taxation and minority interests	8	(50)
8	Extraordinary items after taxation	(32)	51
	(Loss)/profit after taxation and extraordinary items	(24)	1
21	Transfer to non-distributable reserves	(64)	(38)
9	Dividends	(93)	(92)
21	Transfer from distributable reserves	(181)	(129)
10	Earnings/(loss) per ordinary share	0.6p	(3.5)p

Of the (loss)/profit after taxation and extraordinary items, a loss of £18m (1991 profit of £18m) has been dealt with in the accounts of the Company.

The notes on pages 10 to 27 form part of these accounts.

CONSOLIDATED BALANCE SHEET

As at 31 October

	Note		1992 £m	1991 £m
Assets	11	Cash and short-term funds	2,347	1,953
		Items in course of collection	247	244
	12	Marketable securities held short-term	482	481
			3,076	2,678
	13	Notice and fixed loans	4,460	2,343
	14	Investments	1,590	1,590
	15	Advances to customers	16,301	17,190
		Other accounts receivable	1,008	899
			26,435	24,700
	17	Premises and equipment	745	765
	18	Assets of long-term life assurance and pension business funds	4,593	4,124
	19	Value of long-term life assurance and pension businesses	409	345
			32,182	29,934
Capital resources	20	Share capital	398	396
	21	Reserves	1,240	1,346
		Shareholders' funds	1,638	1,742
		Minority interests	[illegible]	33
		Loan capital:		
	22	Undated	148	143
	23	Dated	553	551
		Capital resources	2,346	2,469
Liabilities	24	Deferred taxation	[illegible]	65
	25	Creditors and accrued expenses	[illegible]	1,549
		Current and deposit accounts	[illegible]	21,727
		Long-term life assurance and pension business funds	4,593	4,124
			[illegible]	29,934

The accounts on pages 6 to 27 were approved by the board of directors on 13 January 1993 and were signed on its behalf by:

Nicholas Goodison, Chairman
Peter Ellwood, Chief Executive
John Burns, Finance Director

COMPANY BALANCE SHEET

As at 31 October

	Note		1992 £m	1991 £m
Fixed assets		Tangible assets:		
	17	Premises and equipment	11	9
		Investments:		
	16	Investment in subsidiaries	1,595	,732
		Loans to subsidiaries	1,392	1,249
			2,998	2,990
Current assets		Debtors:		
		Amounts owed by subsidiaries	15	83
		Taxation recoverable	47	32
		Other accounts receivable	16	3
		Investments:		
	12	*Marketable securities held short-term*	3	4
	11	Cash and short-term funds	65	10
			146	132
Creditors		Amounts falling due within one year:		
		Amounts owed to subsidiaries	767	674
		Other creditors and accrued expenses	58	61
		Taxation	48	17
		Dividend	47	47
			920	799
		Net current liabilities	(774)	(667)
		Total assets less current liabilities	2,224	2,323
Loan capital		Creditors: Amounts falling due after more than one year.		
	22	Undated loan capital	100	100
	23	Dated loan capital	486	481
			586	581
		Net assets	1,638	1,742
Capital and reserves	20	Called up share capital	398	396
	21	Reserves	1,240	1,346
		Shareholders' funds	1,638	1,742

The accounts on pages 6 to 27 were approved by the board of directors on 13 January 1993 and were signed on its behalf by:

Nicholas Goodison, Chairman
Peter Ellwood, Chief Executive
John Burns, Finance Director

Nicholas Goodison
Peter Ellwood
John Burns

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 October

Note		1992 £m	1991 £m
30	Net cash flow from operating activities	1,811	(202)
	Servicing of finance:		
	Dividends paid	(93)	(92)
	Taxation:		
	United Kingdom Corporation Tax paid	-	(8)
	Overseas taxation paid	(7)	(13)
	Total taxation paid	(7)	(21)
	Investing activities:		
	Purchase of premises and equipment	(129)	(168)
	Purchase of shares in subsidiaries	(40)	(7)
31	Sale of subsidiaries and businesses (net of cash and cash equivalents sold)	23	64
	Sale of premises and equipment	33	39
	Net cash flow from investing activities	(113)	(72)
	Net cash flow before financing	1,598	(387)
32	Financing:		
	Issue of ordinary share capital (including share premium)	8	2
	(Repayment)/issue of loan capital	(5)	128
	Net cash flow from financing	3	130
33	***Increase/(decrease) in cash and cash equivalents***	1,601	(257)

NOTES TO THE ACCOUNTS

Note 1
Basis of consolidation

The consolidated accounts, which comprise the accounts of the Company and all of its subsidiary undertakings ('subsidiaries'), are prepared in compliance with sections 255, 255A and 255B of, and Schedule 9 to, the Companies Act 1985. The value of the Group's long-term life assurance and pension business funds are directly linked to the value of the constituent assets; each is included in the consolidated balance sheet as a single separate amount under a heading appropriate to the business. These assets are analysed in note 18. No profit and loss account is shown for the Company, as permitted by section 230(3) of the Companies Act 1985, and the Company balance sheet has been prepared in compliance with section 226 of, and Schedule 4 to, that Act.

Note 2
Accounting policies

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain assets, and in accordance with applicable Accounting Standards. The principal accounting policies adopted by the Group are described below.

Securities

Marketable securities held for the short term are included in the balance sheet at market value. Investments held for the long term which are redeemable at fixed dates are stated in the balance sheet on the basis of amortised cost. Other long-term investments are stated in the balance sheet at cost less provisions for permanent diminution in value. Investments of the Group's life, pensions and general insurance businesses are included in the balance sheet at market value.

All gains and losses arising on securities held at market value are dealt with in the profit and loss account except for those arising on investments held within the life and pension funds which are dealt with in those funds. Realised gains and losses on long-term investments are dealt with in the profit and loss account as they arise. Gains and losses arising from switches of investments within the closed investment fund were treated as part of the investment yield of the fund and therefore carried forward as part of the cost of replacement investments, being amortised over the average maturity of the portfolio. This fund was discontinued during 1992.

Provisions for bad and doubtful debts

Specific provisions are made against advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover bad and doubtful debts which may be present at the year end in the portfolio of advances but which have not been specifically identified.

Instalment finance and personal loans

Income from instalment finance business and personal loans is credited to the profit and loss account in proportion to the reducing balance of funds outstanding.

Depreciation

Depreciation is not charged on certain freehold buildings and leaseholds with more than 50 years unexpired, principally bank premises, as the directors do not consider it to be significant in view of the useful economic lives of those properties and, having regard to the high standard to which they are maintained, their residual values. In prior years these properties were depreciated. The impact of this change of policy is not material.

Depreciation on other freehold buildings and leaseholds with more than 50 years unexpired is provided on a straight line basis at 2% per annum. Other leasehold interests are written off by equal instalments over the unexpired term of the lease. No depreciation is provided on freehold land.

Note 2
Accounting policies
continued

Computers and other equipment are depreciated on a straight line basis over their estimated lives, generally between three and ten years (the average being eight years).

Assets leased to customers

Income from finance leases is credited to the profit and loss account in proportion to the net funds invested, using the investment period method. Finance leases are included in the balance sheet as part of advances to customers at amounts based on the discounted value of future rentals.

Income from operating leases is credited to the profit and loss account on an accruals basis, and these leases are included in the balance sheet as part of advances to customers at net book value.

Life assurance and pension businesses

Life assurance and pension policyholders' assets are segregated from the shareholders' assets.

Actuarial valuations are prepared annually and the directors of the Group's assurance subsidiaries, with advice from actuaries, determine the proportion of the actuarial surpluses or deficits to be transferred between the funds and the profit and loss account. The balance of the actuarial surpluses is carried forward in the life assurance and pension business funds.

The value to the Group of the long-term life assurance and pension businesses represents the net present value of the profits which are calculated to arise from business in force and retained surpluses in the funds. The value, which is included in the balance sheet, is determined in consultation with independent actuaries.

The increase in the value of the Group's long-term businesses is credited to the profit and loss account in addition to the release of surplus from the funds. The increase in the value of long-term businesses is grossed up for tax at the corporation tax rate. The increase after tax in the value of long-term businesses included in the profit and loss account is transferred to non-distributable reserves.

General insurance business

The underwriting result of the general insurance business is determined annually and included in the profit before taxation after taking into account premiums, outstanding claims and deferred acquisition costs. Premiums are included net of refunds and a provision for the proportion of premiums written in the year which relate to cover provided in following periods. The provision for claims includes the estimated cost of claims notified but not settled and of claims incurred but not reported at the balance sheet date, and is after anticipated recoveries from reinsurers and others.

Pension costs

Based on actuarial advice, pension costs are charged to the profit and loss account on a basis whereby the regular cost is an approximately level percentage of the current and expected future pensionable payroll. Variations from the regular cost are allocated over the average remaining service lives of current employees.

Deferred taxation

Deferred taxation is provided under the liability method on material timing differences where there is a reasonable probability that taxation will become payable in the foreseeable future.

Investment in subsidiaries

The Company's investment in subsidiaries is stated at its share of their net assets.

Goodwill

Goodwill arising on acquisitions, being the excess of cost over the fair value of the net assets acquired, is charged against reserves in the year of acquisition.

Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at exchange rates ruling at the balance sheet date. Results in foreign currencies are translated into sterling at average exchange rates for the year. Exchange differences on translation of the net assets of overseas subsidiaries and foreign currency loan capital are dealt with through reserves. All other exchange differences are dealt with in the profit and loss account.

Note 3 Profit/(loss) before taxation

Profit/(loss) before taxation is stated after taking account of the following:

	1992 £m	1991 £m
Income:		
Income from listed investments including amortisation of dated securities	93	106
Income from unlisted investments	44	30
Other interest income	2,529	3,171
Total interest income	2,666	3,307
Income from finance lease rentals	439	517
Expenses:		
Interest on deposits and other accounts	1,621	2,188
Interest on loan capital repayable after more than five years	70	76
Pension costs (note 26)	(3)	21
Depreciation of premises and equipment	96	97
Property rentals	57	50
Hire of equipment	16	7
Auditors' remuneration	2.1	3.0

In 1992 the Group's auditors also received £1.8m in respect of non-audit services.

	1992 £m	1991 £m
Central costs, including interest, comprise:		
Central, unallocated overheads	13	15
Net interest payable	47	44
	60	59

United Dominions Trust and Mortgage Express were in prior years included in TSB Retail Banking, whilst the former has now been included in Commercial Activities and the latter shown separately in the profit and loss account. Comparatives have accordingly been restated.

Note 3
Profit/(loss) before taxation continued

The Loan Administration Unit is a division of TSB Bank plc and comprises the non-performing and other doubtful loans transferred from Hill Samuel Bank. It is principally concerned with administering loans where their full recovery is in doubt. This unit was created in 1992 and comparatives are not available. The results of the unit include the interest cost of carrying these non-performing loans.

Note 4
Directors' emoluments

The aggregate emoluments of the directors comprise:

	1992 £000	1991 £000
Emoluments as directors of the Company and its subsidiaries	195	170
Other emoluments in respect of the year, including pension contributions	1,284	1,470
	1,479	1,640
Performance related bonuses	102	116
	1,581	1,756
Compensation for loss of office	763	282
	2,344	2,038

The emoluments of the chairman were £271,105 (1991 £262,990). No pension contributions were made by the Company or its subsidiaries in respect of the chairman and he does not participate in any bonus or profit sharing schemes.

The emoluments of the highest paid director, Mr P B Ellwood, were £373,407 (1991 £300,700). These emoluments included a bonus of £17,250 in respect of 1992 and a deferred bonus of £76,987 in respect of the three year period ended 31 October 1992. Both bonus payments were made under a scheme established in 1989 and were based on the performance of TSB Retail Banking and Insurance, of which he was chief executive, measured against predetermined targets.

Due to the surplus referred to in note 26, no contributions to the TSB Group Pension Scheme were paid in respect of directors during the year.

A payment of £763,432 was made to Mr D C McCrickard, a former director, negotiated through external advisers on the basis of his contract of service which was terminated during the year.

Note 4
Directors' emoluments
continued

The number of directors whose aggregate emoluments, excluding pension contributions, fell within the following bands are shown below:

	1992	1991		1992	1991
£ 0 – £ 5,000	–	3	£ 85,001 – £ 90,000	–	1
£ 5,001 – £ 10,000	–	2	£140,001 – £145,000	1	–
£ 10,001 – £ 15,000	6	6	£180,001 – £185,000	–	1
£ 20,001 – £ 25,000	1	2	£215,001 – £220,000	1	–
£ 25,001 – £ 30,000	2	–	£240,001 – £245,000	1	–
£ 30,001 – £ 35,000	–	1	£250,001 – £255,000	–	1
£ 35,001 – £ 40,000	1	–	£260,001 – £265,000	–	2
£ 45,001 – £ 50,000	1	–	£270,001 – £275,000	1	–
£ 70,001 – £ 75,000	–	1	£300,001 – £305,000	–	1
£ 75,001 – £ 80,000	1	–	£370,001 – £375,000	1	–

Note 5
Transactions with directors and officers

At 31 October 1992 the aggregate amounts outstanding under transactions, arrangements and agreements entered into by the Group with directors, persons connected with directors, and officers were:

	Directors and connected persons			Officers		
	Loans	Quasi loans	Guarantees	Loans	Quasi loans	Guarantees
Number of persons	4	8	1	6	1	1
Amount £000	228	13	30	723	2	35

Note 6
Exceptional items

The exceptional items comprise:

	1992 £m	1991 £m
Reorganisation and restructuring costs	(38)	(12)
Profit impact of changed commission assumption in the valuation of long-term life assurance and pension businesses (note 19)	30	–
	(8)	(12)

Note 7
Taxation

The charge/(credit) for taxation, based on the profit for the year, comprises:

	1992 £m	1991 £m
United Kingdom Corporation Tax at 33% (1991 33.4%)	61	41
Taxation attributable to franked investment income	3	2
	64	43
Overseas taxation	10	13
Deferred taxation	(46)	(57)
	28	(1)

Note 8
Extraordinary Items

Extraordinary items comprise:

	1992 £m	1991 £m
(Loss)/profit arising on the sale or closure of subsidiaries	(37)	50
Taxation credit	5	1
	(32)	51

The businesses sold in the year are principally the shipping service companies, UDT First Southern and the motor retailing businesses of Swan National. Included in extraordinary items is a further provision of £12m in respect of the sale and closure of the Target group.

In accordance with Financial Reporting Standard 2 the profit or loss on the disposal of previously acquired businesses now reflects the attributable amount of purchased goodwill relating to those businesses. Goodwill so treated amounted to £26m (1991 £18m). Comparatives have been restated.

Note 9
Dividends

	1992 £m	1991 £m
Interim		
3.15 pence net per ordinary share (1991 3.15 pence) – paid	46	45
Final		
3.25 pence net per ordinary share (1991 3.25 pence) – proposed	47	47
	93	92

Note 10
Earnings/(loss) per ordinary share

Earnings/(loss) per ordinary share have been calculated by dividing the profit after taxation and minority interests of £8m (1991 loss £50m) by 1,446 million shares (1991 1,442 million shares), being the average number of ordinary shares in issue during the year less 66 million shares (1991 61 million shares) registered in the name of TSB Group Holdings (Jersey) Limited and the trustees of the TSB Group employee trust.

Note 11
Cash and short-term funds

	The Group		The Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Cash in hand and with bankers	182	212	65	10
Money at call and overnight placings	1,417	1,262	–	–
Notice and fixed loans due within seven days	748	479	–	–
	2,347	1,953	65	10

Included above in the Group's figures are cash and short-term funds of £2,298m (1991 £1,794m) which were within three months of maturity when acquired – see note 33.

Note 12
Marketable securities held short-term

	The Group		The Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Treasury and other bills	149	275	–	–
Certificates of deposit	142	182	–	–
Government securities	178	11	–	–
Other securities	13	13	3	4
	482	481	3	4

Included above in the Group's figures are marketable securities of £252m (1991 £306m) which were within three months of maturity when acquired – see note 33.

Note 13
Notice and fixed loans

Notice and fixed loans consist of secured and unsecured loans, with a maturity beyond seven days, to authorised institutions, United Kingdom local authorities and public corporations and include loans of £1,045m (1991 £938m) which mature beyond one year.

Included in the total of notice and fixed loans are £1,685m (1991 £534m) which were within three months of maturity when acquired – see note 33.

Note 14
Investments

	1992 Book Value £m	1992 Valuation £m	1991 Book Value £m	1991 Valuation £m
Listed investments:				
British Government securities	760	766	865	869
Equity investments, all listed in the United Kingdom	58	58	18	25
Other investments listed in the United Kingdom	134	134	84	84
Other investments listed elsewhere	197	197	68	68
Unlisted investments:				
Equity	63	67	54	61
Other	378	379	489	490
Losses in closed investment fund	–	–	12	–
	1,590	1,601	1,590	1,597

Listed investments are valued at mid-market prices and unlisted investments at directors' valuation. British Government securities and other investments with a book value of £1,386m are redeemable at fixed dates. Their total redemption value is £1,628m. Investments with a book value of £35m mature in less than one year.

Note 15
Advances to customers

	1992 £m	1991 £m
Advances	16,352	16,576
Assets held for leasing	1,365	1,623
	17,717	18,199
Provisions	(1,416)	(1,009)
	16,301	17,190

The movements in provisions for bad and doubtful debts in the year were as follows:

	1992 Specific £m	1992 General £m	1992 Total £m	1991 Specific £m	1991 General £m	1991 Total £m
Provisions at beginning of year	925	84	1,009	386	86	472
Amounts written off, net of recoveries	(179)	–	(179)	(120)	–	(120)
Provisions made, less released	570	27	597	652	2	654
Subsidiaries sold	(19)	(2)	(21)	(1)	(1)	(2)
Currency and other adjustments	8	2	10	8	(3)	5
Provisions at 31 October	1,305	111	1,416	925	84	1,009

Note 15
Advances to customers continued

Assets acquired during the year for letting under finance leases amounted to £186m (1991 £332m). Net investment in leased assets includes £289m (1991 £218m) of equipment leased to customers under operating leases, shown net of accumulated depreciation of £83m (1991 £68m) and a net investment in hire purchase contracts of £26m (1991 £28m).

Note 16
Investment in subsidiaries

The Company's investment in subsidiaries consists of shares and capital contributions. The principal operating subsidiaries, together with their countries of incorporation, are listed on page 5.

Note 17
Premises and equipment

	The Group			The Company		
	Premises £m	Equipment £m	Total £m	Premises £m	Equipment £m	Total £m
Cost or valuation:						
At 1 November 1991	534	617	1,151	7	5	12
Additions	36	93	129	1	2	3
Disposals	(17)	(47)	(64)		-	
Subsidiaries sold	(21)	(17)	(38)		-	
Reclassifications	(46)	46				
Currency adjustments		3	3			
At 31 October 1992	486	695	1,181	8	7	15
Depreciation:						
At 1 November 1991	66	320	386	1	2	3
Charge for the year	10	86	96		1	1
Disposals	(4)	(30)	(34)			
Subsidiaries sold	(3)	(12)	(15)			
Reclassifications	(2)	2				
Currency adjustments		[illegible]	3			
At 31 October 1992	67	369	[illegible]	1	3	4
Net book value:						
At 31 October 1992	419	326	745	7	4	11
At 1 November 1991	468	297	765	6	3	9

Note 17
Premises and equipment continued

The net book value of premises comprises:

	The Group		The Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Freeholds	322	340	7	6
Long leaseholds	30	45	–	–
Short leaseholds	67	83	–	–
	419	468	7	6

At valuation net of subsequent depreciation:

	The Group		The Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
1992	1	–	–	–
1990	–	2	–	–
1988	9	9	–	–
1983	78	88	–	–
1982 and earlier years	22	23	–	–
At cost less subsequent depreciation	309	346	7	6
	419	468	7	6

Premises were revalued in the years shown above on the basis of open market value for existing use. The gross amount of depreciable assets included in premises at 31 October 1992 is £192m. Equipment is shown at cost less subsequent depreciation.

Note 18
Assets of long-term life assurance and pension business funds

The assets of the life assurance and pension business funds held to meet liabilities to policyholders, based on market values, were:

	1992	1991
	£m	£m
Property	197	196
Equity shares	1,773	846
Unit trusts	1,552	2,272
Fixed interest securities	940	610
Mortgages and loans	16	55
Other accounts receivable	772	725
Creditors and accrued expenses	(687)	(580)
	4,593	4,124

Note 19
Value of long-term life assurance and pension businesses

The increase in the value to the Group of its long-term life assurance and pension businesses is analysed as follows:

	1992	1991
	£m	£m
Gross increase in value of long-term businesses	166	136
Taxation	(56)	(44)
	110	92
Surplus released from the funds	(46)	(54)
Increase, transferred to non-distributable reserves	64	38
Value of Target's business written off against provisions	-	(3)
Net increase in value of long-term businesses	64	35

The gross increase in the value of the long-term businesses is included in the consolidated profit and loss account. In the year there were no capital injections to the funds (1991 £16m).

In prior years the value of the long-term life assurance and pension businesses included provision for the payment of commission to TSB Retail Banking when policies were renewed. Following the integration of the TSB Retail Banking and TSB Insurance businesses this practice has been discontinued. The amount so released has been included above as part of the gross increase in value of long-term businesses and in the profit and loss account as an exceptional item - see note 6.

The major actuarial assumptions used in the calculation of the value to the Group of the long-term life assurance and pension business in force are unchanged from 1991 and are as follows:

- future distributable profits after taxation have been discounted at a rate of 15% per annum;
- future gross investment returns have been assumed at rates varying from 9% to 11% per annum depending on the type of asset;
- long-term inflation rate of 6.5% per annum;
- tax has been provided in full at the rates applicable to investment income, capital gains and annuity profits under the relevant tax legislation; and
- future mortality rates, lapse rates and expense levels have been derived from analysis of the recent experience of the funds.

Note 20
Share capital

	Authorised	Allotted, called up and fully paid	
	1992 and 1991	1992	1991
	£m	£m	£m
Ordinary shares of 25p each	505	378	376
Limited voting ordinary shares of 25p each	20	20	20
Limited voting preference shares of £1 each	300	–	–
	825	398	396

6,972,397 ordinary shares were issued during the year for a consideration of £7.5m. Of these 4,538,918 were issued upon the exercise of share options.

At 31 October 1992 options to purchase 90,388,903 ordinary shares were outstanding under the Group's executive and savings related share option schemes at prices from 48.02p to 158.50p per share exercisable up to 2002. The exercise of certain options will require up to 26,818,207 new ordinary shares to be created and allotted. The exercise of other options will be satisfied by transfers of existing shares from the holdings of TSB Group Holdings (Jersey) Limited and the trustees of the TSB Group employee trust which are maintained for use in respect of employee share and share option schemes.

Note 21
Reserves

	The Group	The Company
	£m	£m
At 1 November 1991	1,346	1,346
Deficit for the year	(181)	(111)
Transfer from profit and loss account – relating to the increase in the value of long-term business	64	-
Goodwill written off on acquisition of shares in subsidiaries	(13)	-
Goodwill written back to the profit and loss account	26	-
Currency realignment	(3)	-
Premium on issue of shares (net of expenses)	5	5
Other	(4)	-
At 31 October 1992	1,240	1,240

The Group's reserves at 31 October 1992 include surpluses on the valuation of long-term life assurance and pension business in force of £348m (1991 £284m) and on the revaluation of premises of £5m (1991 £7m), and a share premium account of £6.9m (1991 £1.6m).

The Company's reserves include the share premium account of £6.9m (1991 £1.6m).

The cumulative amount of goodwill on acquisitions made in the current and earlier years and charged against the Group's reserves is £701m (1991 £712m). It is net of any goodwill attributable to subsidiaries or businesses subsequently sold.

Note 22
Loan capital — Undated

	The Group		The Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
US$75m perpetual floating rate notes†	48	43	–	–
£100m perpetual floating rate notes*	100	100	100	100
	148	143	100	100

†These have been issued by a subsidiary and carry the Company's subordinated guarantee.

*These are subordinated to the claims of other creditors of the Company.

Loans bear interest at rates, fixed periodically, based on interbank rates.

Note 23
Loan capital — Dated

	The Group		The Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Bank loan 1993	–	5		–
8% unsecured loan stock 1989/94	9	9	-	–
US$30m floating rate notes 1996†	19	17		–
£135m zero coupon bonds 1998*	74	67	74	67
US$33m guaranteed floating rate notes 2001†	17	19	17	19
£100m variable rate notes 2003*	100	100	100	100
Yen 3bn eurocurrency zero coupon bonds 2003†	9	9	9	9
£100m 10.625% loan stock 2008	100	100	100	100
£100m 12% bonds 2011*	100	100	100	100
US$100m floating rate notes 2016†	64	57	–	–
£135m floating rate notes 2063†	61	68	86	86
	553	551	486	481

†These have been issued by subsidiaries and carry the Company's subordinated guarantee.

*These are subordinated to the claims of other creditors of the Company.

The £135m floating rate notes 2063 carry an interest rate which is related to LIBOR until 1998 and thereafter interest is payable at a nominal rate. The liability of the Group to redeem the notes at their total nominal amount of £135m arises in the year 2063 or on the earlier liquidation of the Company otherwise than in the course of a reconstruction. These notes were issued by a subsidiary under the Company's subordinated guarantee and the proceeds lent to the Company on a subordinated basis.

The US$33m guaranteed floating rate notes 2001 and the Yen 3bn eurocurrency zero coupon bonds 2003 were issued by a subsidiary under the Company's subordinated guarantee and the proceeds lent to the Company on a subordinated basis.

Loans bear interest at rates fixed periodically, based on interbank rates, except where otherwise stated.

Note 24
Deferred taxation

	The Group	The Company
	£m	£m
At 1 November 1991	65	–
Credited to the profit and loss account	(46)	–
Subsidiaries sold	(12)	–
Currency and other adjustments	(5)	–
At 31 October 1992	2	–

The balance of deferred taxation comprises:

	The Group		The Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Accelerated capital allowances	38	69	–	1
Short-term timing differences	(20)	12	–	(1)
Advance Corporation Tax	(16)	(16)	–	–
	2	65	–	–

Deferred taxation has been provided in full except that no provision has been made in respect of earnings retained overseas or the potential liability for taxation which might arise in the event of any of the Group's properties being realised at balance sheet values, since the likelihood of any material liability arising in these respects is remote. Most of the Group's properties are occupied for the purposes of the Group's trade and consequently any gains arising on disposal are normally eligible for rollover relief.

Note 25
Creditors and accrued expenses

	1992	1991
	£m	£m
Taxation	55	28
Dividend	47	47
Other creditors and accrued expenses	1,736	1,474
	1,838	1,549

Note 26
Pensions

On 31 December 1991 the Group's two main pension schemes, the TSB Group Pension Scheme and the Hill Samuel Group Pension Scheme, which cover approximately 85% of the Group's employees, were merged by transferring the assets and liabilities of the Hill Samuel Group Pension Scheme into the TSB Group Pension Scheme. The scheme is of the defined benefit, final salary type. It is self-administered and funded to cover future pension liabilities, based on accrued service to date, including expected future earnings and pension increases.

Formal actuarial valuations are carried out by qualified actuaries annually. Valuations of both the TSB Group Pension Scheme and the Hill Samuel Group Pension Scheme were

Note 26
Pensions
continued

made as at 1 November 1991. These valuations showed that the market values of the assets of the schemes were £1,523m and £230m respectively. The actuarial values of the assets represented 184% and 127% respectively of the actuarial value of the benefits accrued to members, calculated on the basis of pensionable earnings projected to retirement or earlier exit, and service as at the date of the valuations. The nil rate of contribution to these schemes, now reflected in the current year charge, has been established so as to eliminate the surplus over a period not less than the average remaining service life of current employees.

The valuations of both schemes were carried out using the projected unit method. The principal actuarial assumptions used in the valuations of the two schemes were that the annual rate of price inflation would be 5.5%, the annual rate of return on investments would be 9.5%, annual dividend increases would be 5.5% and annual increases in earnings would be 7.5%. The schemes allow for annual pension increases between 4.5% and 5.5%.

The actuaries to both schemes are employed by Noble Lowndes & Partners Limited, a Group company. The assumptions used in the valuations have been reviewed by independent actuaries.

Note 27
Commitments

Capital expenditure commitments not provided in these accounts comprise:

	1992 £m	1991 £m
Contracted	13	58
Authorised, but not contracted	15	11

Annual commitments under operating leases are as follows:

	1992 Premises £m	1992 Equipment £m
Expiring:		
Within one year	6	4
Within two to five years	19	4
In more than five years	56	–
	81	8

Note 28
Turnover

Turnover by class of business attributable to banking businesses is not shown. Non-banking turnover by class of business was:

	1992 £m	1991 £m
TSB Insurance	336	300
Hill Samuel Insurance and Investment	144	211
Commercial Activities	553	682

Note 29
Segmental analysis of net assets

The segmental analysis of net assets, included in compliance with Statement of Standard Accounting Practice No. 25 "Segmental Reporting", is as follows:

	1992 £m	1991 £m
TSB Retail Banking and Insurance		
TSB Retail Banking	763	718
TSB Insurance	393	331
	1,156	1,049
Hill Samuel		
Hill Samuel Insurance and Investment	131	110
Hill Samuel Bank	497	798
Loan Administration Unit	81	
	709	908
Commercial Activities	282	331
Mortgage Express	130	178
Loan capital and other	(639)	(724)
Group	1,638	1,742

The Group operates predominantly in Great Britain.

Note 30
Reconciliation of profit/(loss) before taxation to net cash flow from operating activities

	1992 £m	1991 £m
Profit/(loss) before taxation	43	(47)
(Increase)/decrease in interest receivable and prepaid expenses	(48)	190
Decrease in interest payable and accrued expenses	(57)	(179)
Increase in provisions for bad and doubtful debts	428	539
Depreciation	96	97
Increase in value of life assurance and pension businesses	(123)	(82)
Reorganisation costs paid and charged against provision	(12)	(30)
Exchange and other movements	(32)	(5)
Net cash flow from trading activities	295	483
Cash effect of movement in:		
Advances to customers	270	(705)
Current and deposit accounts	2,009	(534)
Other creditors	269	(285)
Investments	(15)	485
Cash and short-term funds	110	(116)
Short-term marketable securities	(55)	(111)
Notice and fixed loans	(992)	559
Items in course of collection	(3)	(13)
Other receivables	(77)	35
Net cash flow from operating activities	1,811	(202)

Note 31
Impact of the sale of subsidiaries and businesses

	1992	1991
	£m	£m
Net assets of subsidiaries and businesses sold in the year:		
Advances to customers (net of provisions)	218	216
Cash and short-term funds	43	88
Notice and fixed loans	26	346
Current and deposit accounts	(271)	(599)
Other net assets	44	33
Net assets sold	60	84
(Loss)/profit on sale before taxation	(20)	50
Goodwill written back from reserves (note 8)	26	18
Total cash consideration	66	152

Note 32
Analysis of changes in financing in the year

	Share capital (including premium)		Loan capital	
	1992	1991	1992	1991
	£m	£m	£m	£m
At beginning of year	397	395	694	555
Cash flow from financing	8	2	(5)	128
Currency adjustments	–	–	12	11
Balance at 31 October	405	397	701	694

Note 33
Analysis of changes in cash and cash equivalents

The movement in the year is as follows:

	1992	1991
	£m	£m
At beginning of year	2,634	2,891
At 31 October	4,235	2,634
Increase/(decrease) in cash and cash equivalents	1,601	(257)

Cash and cash equivalents at 31 October comprise:

	1992	1991
	£m	£m
Cash and short-term funds	2,298	1,794
Marketable securities held short-term	252	306
Notice and fixed loans	1,685	534
At 31 October	4,235	2,634

The Group is required to maintain balances with the Bank of England which, at 31 October 1992, amounted to £65m (1991 £69m).

Note 34
Contingent liabilities, including financial instruments

The Group's banking subsidiaries, in common with other banks, conduct business involving acceptances, guarantees, performance bonds and indemnities. In addition, there are interest rate and currency swaps, financial futures contracts, forward contracts for the purchase and sale of foreign currencies, option contracts and facilities provided to customers. These items are not reflected in the consolidated balance sheet.

Under internationally accepted banking supervisory practice for the calculation of risk associated with off-balance sheet items, the contract or underlying principal amounts are converted to credit risk equivalents by applying specified credit conversion factors or, in the case of interest and exchange rate related contracts, by marking to market value. The amounts detailed below are risk weighted according to the nature of the counterparty and comprise:

	Contract or underlying principal amount		Risk weighted amount	
	1992 £m	1991 £m	1992 £m	1991 £m
Guarantees, acceptances and endorsements	518	495	383	338
Other contingent liabilities	32	119	28	51
Performance bonds and other transaction-related contingencies	36	254	17	214
Assets sold with recourse	20	–	20	–
Documentary credits and other short-term trade-related contingencies	70	70	15	23
Forward asset purchases and forward deposits placed	[illegible]	300	67	71
Note issuance and revolving underwriting facilities	201	278	93	116
Formal standby facilities, credit lines and other commitments to lend:				
less than one year maturity	4,700	4,513	1	1
one year or over maturity	[illegible]	774	118	225
Exchange rate related instruments	6,813	6,392	112	76
Interest rate related instruments	67,070	61,459	243	153
Total risk weighted amount			1,127	1,268

The majority of these facilities are offset by corresponding obligations of third parties.

The Company has guaranteed the loan capital of certain subsidiaries as indicated in notes 22 and 23. It has also guaranteed lending by subsidiaries of £34m (1991 £34m) and certain obligations of subsidiaries.

FIVE YEAR FINANCIAL SUMMARY

Sources of Profit

	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
TSB Retail Banking and Insurance					note (a)
TSB Retail Banking	297	276	228	145	
TSB Insurance	129	120	88	63	
	426	396	316	208	
Hill Samuel					
Hill Samuel Insurance and Investment	30	16	23	18	
Hill Samuel Bank	54	(421)	(41)	60	
Loan Administration Unit	(379)				
	(295)	(405)	(18)	78	
Commercial Activities	41	33	34	36	
Mortgage Express	(67)	(24)	(5)	11	
Operating profit	105	–	327	333	
Central costs, including interest	(60)	(59)	(41)	(6)	
Results of businesses sold	6	24	26	29	
Exceptional items (note (b))	(8)	(12)	–	(201)	
Profit/(loss) before taxation	43	(47)	312	155	420

Analysis of Profit

	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
Net interest income	975	1,043	1,023	912	852
Other operating income	950	877	803	714	590
Total income	1,925	1,920	1,826	1,626	1,442
Staff costs	657	701	681	655	544
Premises and equipment costs	213	200	190	165	144
Other operating costs	407	400	382	358	289
Total costs	1,277	1,301	1,253	1,178	977
Profit before provisions	648	619	573	448	465
Charge for bad and doubtful debts	597	654	261	92	45
Trading surplus/(deficit)	51	(35)	312	356	420
Exceptional items (note (b))	(8)	(12)	-	(201)	-
Profit/(loss) before taxation	43	(47)	312	155	420

Notes

(a) No analysis of profit by source has been given for the year ended 31 October 1988 as subsequent changes in the composition of the Group make comparisons misleading.

(b) Exceptional items comprise:

1992 & 1991 - See note 6 on page 14 of the Accounts.

1989 - Reorganisation costs relating to the restructuring of TSB Retail Banking branch banking activities and the relocation of its head office (£125m) and provisions for possible losses on swap related contracts with United Kingdom local authorities (£76m)

TSB Group plc **Five Year Financial Summary**
Accounts 1992

		1992	1991	1990	1989	1988
		£m	£m	£m	£m	£m
Balance Sheet Extracts	Total assets	32,182	29,934	30,799	29,248	25,552
	Average assets	31,058	30,367	30,024	27,400	22,646
	Value of long-term life assurance and pension businesses	409	345	310	292	237
	Advances to customers:					
	Mortgages	7,629	7,424	7,053	5,658	4,877
	Other personal	3,566	3,457	3,165	2,874	2,416
	Corporate/commercial	5,157	5,695	5,929	4,913	3,251
	Leased assets	1,365	1,623	1,531	1,201	834
		17,717	18,199	17,678	14,646	11,378
	Provisions for bad and doubtful debts	(1,416)	(1,009)	(472)	(245)	(189)
	Total advances	16,301	17,190	17,206	14,401	11,189
	Current and deposit accounts:					
	Cheque	4,168	4,116	3,770	3,394	2,415
	Retail deposits	8,151	7,127	7,410	6,948	6,350
	Commercial/wholesale	11,084	10,484	11,867	11,167	10,187
	Total current and deposit accounts	23,403	21,727	23,047	21,509	18,952
	Shareholders' funds	1,638	1,742	1,814	1,853	1,866
Other Information	Cost income ratio (%)	66.3	67.8	68.6	72.4	67.8
	Risk asset ratio (%)	11.7	12.2	11.1	12.4	*note (a)*
	Other operating income total income (%)	49.4	45.7	41.0	43.9	40.9
	Average TSB base rate (%)	10.1	12.3	14.9	13.4	9.5
	Interest spread *(note (b))* (%)	3.6	3.6			
	Interest margin *(note (c))* (%)	4.3	4.5		note (d)	
	Earnings/(loss) per share (pence)	[illegible]	(3.5)	13.4	6.6	19.2
	Net dividend per share (pence)	6.40	6.40	6.40	5.80	5.24
	Share price at year end (pence)	135.5	133.0	130.0	104.0	107.5
	Average staff numbers	[illegible]	40,237	41,618	42,897	39,391

Notes

(a) The risk asset ratios have been calculated in accordance with Bank of England requirements introduced at the end of 1989.

(b) Interest spread is the difference between the interest rate earned on average interest earning assets and the interest rate paid on average interest bearing liabilities.

(c) Interest margin is net interest income as a percentage of average interest earning assets.

(d) Figures are not available for 1990 and before.

ANALYSIS OF SHAREHOLDERS

As at 31 December 1992

Size of holdings of ordinary shares	Number of holdings	Percentage of total holdings	Percentage of total shares
1 - 200	48,230	3.85	0.29
201 - 400	427,054	34.08	8.30
401 - 600	570,521	45.53	18.44
601 - 1,000	138,440	11.05	6.46
1,001 - 5,000	63,390	5.06	6.87
5,001 - 10,000	3,428	0.27	1.53
10,001 - 50,000	1,227	0.10	1.66
50,001 - 100,000	202	0.02	1.00
100,001 - 500,000	307	0.02	5.10
500,001 and over	268	0.02	50.35
	1,253,067	100.00	100.00

Classification of shareholders Ordinary shares	Number of holdings	Percentage of total holdings	Percentage of total shares
Individuals	1,115,312	89.01	37.67
Joint accounts (individuals)	129,562	10.34	4.46
Nominee companies	4,396	0.35	41.08
Banks	146	0.01	0.02
Insurance companies	137	0.01	3.51
Pension funds	120	0.01	2.62
Other corporate bodies	3,384	0.27	5.65
TSB Group Holdings (Jersey) Limited and the TSB Group employee trust (a)	3	0.00	4.37
Trustees of the TSB Group staff share schemes (b)	7	0.00	0.62
	1,253,067	100.00	100.00

Limited voting ordinary shares			
TSB Foundation for England and Wales	1		72.12
TSB Foundation for Scotland	1		19.46
TSB Foundation for Northern Ireland	1		5.35
TSB Foundation for the Channel Islands	1		3.07
	4		100.00

Notes

(a) The shares held by TSB Group Holdings (Jersey) Limited and the trustees of the TSB Group employee trust are available for use in respect of employee share and share option schemes.

(b) 9,453,348 shares were held by trustees on behalf of 8,883 employees in the United Kingdom, the Channel Islands and the Republic of Ireland under TSB Group staff share schemes.

DIRECTORS' INTERESTS IN SHARES

Beneficial interests of directors and their immediate families in ordinary shares of 25p each in the Company are shown below.

	At 31 October 1992		At 1 November 1991 (or date of appointment if later)	
	Shares	Shares under option	Shares	Shares under option
L Bolton	5,390	–	5,390	–
J A Burns	3,660	425,101	660	–
J K Elbourne	–	415,401	–	415,401
P B Ellwood	9,000	590,251	9,000	441,264
M H Field	9,600	–	9,600	–
H R Freedberg	7,890	495,672	3,030	477,815
Sir Nicholas Goodison	30,525	693,058	30,525	671,563
P A Harwood	2,090	–	2,090	–
J H F Macpherson	16,000	–	16,000	–
P G McCracken	1,000	–	1,000	–
Sir David Plastow	10,000	–	10,000	–
Lady Prior	2,500	–	2,500	–
N J Robson	5,150	–	5,150	–

The shares acquired by directors during the year were purchased on the market as follows:

	Shares acquired	Price per share
J A Burns	[illegible]	129.0p
H R Freedberg	4,860	122.5p

Options to purchase shares are granted under the terms of the Company's executive share option and Sharesave schemes. The Sharesave scheme is a savings related option scheme which is available to all eligible employees. Options were granted to directors during the year as shown below.

	Type of scheme	Shares subject to grant	Option price per share
J A Burns	Executive	425,101	123.5p
P B Ellwood	Executive	148,987	123.5p
H R Freedberg	Sharesave	17,857	105.0p
Sir Nicholas Goodison	Sharesave	3,495	103.0p
Sir Nicholas Goodison	Sharesave	18,000	105.0p

No director exercised any options during the year.

Sir Nicholas Goodison also held non-beneficial interests in 12,050 shares at 1 November 1991 and 31 October 1992.

At 1 November 1991 Mr J H F Macpherson held a beneficial interest in £6,580 of variable rate loan notes 1992 which were repaid on 31 October 1992.

Mr P A Harwood and his immediate family held beneficial interests in 1,705 ordinary shares of 25p each in TSB Bank Channel Islands Limited at 1 November 1991. The shares were acquired by the Company during the year under the terms of the recommended offer for the outstanding shares in TSB Bank Channel Islands.

Except as disclosed above, no director held any interests in shares or debentures of the Company or any of its subsidiaries at 1 November 1991 and 31 October 1992. There have been no changes in the directors' interests in shares between 31 October 1992 and 13 January 1993.

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