2065

Directors' report

Results and dividends

The consolidated profit and loss account on page 11 shows a profit attributable to shareholders amounting to £797 million.

An interim dividend of 7.5p per ordinary share was paid on 13 October 1994 and a final dividend of 18.3p per share will be paid on 3 May 1995, making a total distribution for 1994 of 25.8p *(1993: 22.1p)*. With the related tax credit, this is equivalent to 32.3p per share *(1993: 27.6p)*. The dividends for 1994 will absorb £334 million, leaving a profit of £463 million retained.

Principal activities

The Bank and its subsidiaries provide a comprehensive range of banking and financial services through branches and offices in the UK and overseas.

Business review and future developments

A review of the business during the year and an indication of likely future developments are contained within the financial review on pages 3 to 10 and the short report for shareholders.

Premises

The directors have reviewed the current value of premises and are of the opinion that, compared with the balance sheet amount, there is a shortfall of £114 million *(1993: £162 million)*, of which £109 million *(1993: £155 million)* relates to UK premises and £5 million *(1993: £7 million)* to overseas premises. The directors are of the opinion that this shortfall, an average of some 10 per cent *(1993: 13 per cent)*, will not prove to be permanent and no adjustment has been made in the balance sheet.

Directors

Brief biographical details of directors are shown on page 18 of the short report for shareholders.

Sir David Walker left the board on 18 November 1994. Lord Plumb and Mr M H R Thompson will retire from the board at the annual general meeting. The Earl of Selborne joined the board in July 1994 and Dr Bridget M Ogilvie has been appointed from 1 March 1995. Under the articles of association, both offer themselves for election as directors at the annual general meeting. Sir Simon Hornby, Mr D B Pirrie and Sir Brian Pitman, none of whom has a service contract which is required to be open to inspection, retire by rotation at the annual general meeting and offer themselves for re-election.

No director had a material interest at any time during the year in any contract of significance with the Bank or its subsidiaries.

The interests of directors in shares in the Bank and its subsidiaries are shown on page 28 in note 36.

Employees

The Bank is committed to employment policies which follow best practice, based on equal opportunities for all employees irrespective of sex, race, religion, colour, disability or marital status.

In the UK the Bank supports Opportunity 2000, the campaign to improve employment opportunities for women. In addition, if serving employees become disabled the Bank continues employment wherever possible and arranges retraining.

Employees are involved in the Bank's performance through consultation, the provision of information through normal management channels, internal publications and communication meetings. The Bank also has regular dialogue with staff unions.

Directors' report

A profit sharing scheme and a savings-related share option scheme enable eligible employees in the UK, the Channel Islands and the Isle of Man to become shareholders, encouraging their involvement in the progress of the Bank. There are some 28,000 participants in the staff profit sharing scheme, over 32,000 in the staff savings-related share option scheme and 280 in the senior executives' share option schemes. More information about the employees' share schemes is given on pages 27 and 28 in notes 34 and 36.

Community programme
During 1994, the Bank and its subsidiaries contributed £5,287,000 in support of the community programme within the UK, encompassing donations, sponsorships, secondments and other community-related activities. Included in that figure, £1,327,000 was given to charitable organisations. No payments were made to political parties.

Close company provisions
The Bank is not a close company, according to the definition in the Income and Corporation Taxes Act 1988, as amended.

Auditors
Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment as auditors will be submitted to the annual general meeting.

On behalf of the board

A J Michie
Secretary

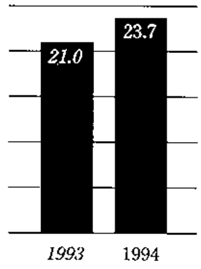
9 February 1995

Financial review

Summary of results

In 1994, profit before tax rose by £273 million, or 26 per cent, to £1,304 million from £1,031 million in 1993 and earnings per share increased by 30 per cent to 61.7p per share. Total income declined by £89 million, or 2 per cent, mainly as a result of a reduction of £113 million in past due interest receipts. Costs were again tightly controlled and were virtually unchanged from 1993. The total charge for bad and doubtful debts fell to £135 million from £503 million. Post-tax return on average shareholders' equity improved to 23.7 per cent from 21.0 per cent and post-tax return on average assets increased to 1.20 per cent from 1.03 per cent. The dividend was increased by 17 per cent to 25.8p per share.

Post-tax return on average shareholders' equity %



Profit before tax by main businesses

	1993	1994
	£m	£m
UK Retail Banking and Insurance	*319*	437
Corporate Banking and Treasury	*280*	302
Private Banking and Financial Services	*98*	96
International Banking	*153*	112
Problem Country Debt	*260*	328
Central group items	*(79)*	29
Total	*1,031*	1,304

UK Retail Banking and Insurance

(comprises the UK retail network, providing personal and commercial banking and financial services, and the businesses of Lloyds Abbey Life)

Pre-tax profit from UK Retail Banking and Insurance improved to £437 million from £319 million.

Net interest income was flat. Gross new mortgage lending was £1.7 billion, 21 per cent higher than in 1993; and loans to personal customers and small businesses began to pick up during the year. Average current account credit balances grew by 8 per cent, but pressures on deposit margins continued.

Other income held up well, despite a deduction of £60 million, bringing the total provision to £80 million, for possible redress to purchasers of pension policies. Revenue grew steadily in the factoring businesses and card services, and there was an increase in arrangement fees as a result of growing loan commitments. There were also increased gains on the realisation of venture capital investments. Income from insurance broking grew strongly, but sales and profits in the life assurance businesses were adversely affected by lower consumer confidence and the widespread criticism of the industry as a whole.

Costs were again lower; the fourth consecutive year in which a reduction has been achieved. Bad debt provisions continued their downward trend and fell by £99 million, or 23 per cent, from a year ago.

Profit before tax

1993	1994
£m	£m
319	437

Corporate Banking and Treasury

(banking, treasury and other related services for major UK and multinational companies, banks and institutions)

Corporate Banking and Treasury pre-tax profit improved to £302 million from £280 million. Total income rose by 7 per cent and outweighed small increases in costs and provisions. Treasury performed particularly well, with fully maintained earnings in adverse market conditions; each of the other businesses achieved good results.

Profit before tax

1993	1994
£m	£m
280	302

Private Banking and Financial Services

(private banking, tax and investment services in the UK and 16 countries overseas)

Pre-tax profit was down slightly at £96 million. Lloyds Private Banking in the UK increased its pre-tax profit by 32 per cent, but overseas the results were adversely affected by declining bond and equity prices. At the end of 1994, assets held for private clients totalled £18 billion, of which £8 billion is under discretionary management.

Profit before tax

1993	1994
£m	£m
98	96

International Banking

(banking and financial services in Australasia, Europe and Latin America)

Pre-tax profit fell to £112 million from £153 million. Total income increased by 2 per cent, despite a decrease in other income arising from lower dealing profits. Banco Multiplic, the Brazilian associate, made a loss on a government securities portfolio which has now been liquidated.

Profit before tax

1993	1994
£m	£m
153	112

Financial review

Profit before tax

1993	1994
£m	£m
260	328

Problem Country Debt

(cross-border lending to countries experiencing payment difficulties)

After a net release of provisions of £240 million, following the completion of rescheduling agreements with Brazil and Poland, the problem country debt (PCD) portfolio contributed £328 million before tax. This compared with a net release of provisions of £46 million and a pre-tax contribution of £260 million in 1993.

Profit before tax

1993	1994
£m	£m
(79)	29

Central group items

(central costs and other unallocated items)

There was a net surplus on central group items of £29 million, which included the profit of £30 million on the sale of part of the Bank's shareholding in 3i. This compared with a net deficit of £79 million in 1993, which included a general provision of £70 million. A further general provision in 1994 was not necessary.

Profit before tax by company

	1993	1994
	£m	£m
Lloyds Bank Plc	*404*	716
Lloyds Abbey Life	*324*	316
The National Bank of New Zealand Group	*80*	68
Lloyds Leasing	*31*	33
Lloyds Private Banking	*22*	29
Lloyds Bank Factors	*19*	28
The Agricultural Mortgage Corporation	*12*	17
Other subsidiaries	*113*	99
Associates	*26*	(2)
Total	*1,031*	1,304

Lloyds Bank Plc, the parent bank, increased its pre-tax profit (before dividends from subsidiaries and associates) to £716 million from £404 million. Owing to a reduction of £115 million in past due interest receipts, the trading surplus fell by £35 million to £796 million, but this was more than offset by a drop of £317 million in provisions and a profit of £30 million from the sale of part of the Bank's shareholding in 3i.

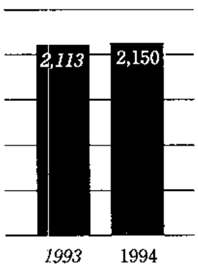
Lloyds Abbey Life's pre-tax profit declined to £316 million from £324 million. Profits from The National Bank of New Zealand Group were down owing to lower dealing profits. Lloyds Leasing's profits were up from a year ago; and Lloyds Private Banking, Lloyds Bank Factors and The Agricultural Mortgage Corporation all produced substantial increases.

Other subsidiaries comprise a large number of separate operating companies around the world. Overall their profits were down 12 per cent, mainly as a result of lower dealing profits.

Associates made a net loss of £2 million. This included the Bank's share of profits in 3i for the first half of the year only (see page 23, note 19), offset by a loss in Banco Multiplic, the Brazilian associate, on a government securities portfolio which has now been liquidated.

Net interest income

Group net interest income £m



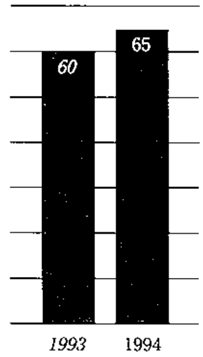
Group net interest income increased by £37 million to £2,150 million. A 9 per cent increase in average interest-earning assets was partly offset by a decline of 22 basis points in the net interest margin. This was caused by a lower interest spread and a reduction of £113 million to £93 million from £206 million in interest received relating to previous years, mainly on the PCD portfolio. Excluding past due interest receipts, there was an underlying increase of £150 million in net interest income.

Domestic net interest income increased by £75 million, or 5 per cent, to £1,666 million. Average interest-earning assets increased by 1 per cent. Strong growth in mortgages and an increase in debt securities, mainly certificates of deposit, were partly offset by a reduction in advances caused by the netting of certain advances which were grossed-up in 1993. Excluding the grossing-up there was an 8 per cent increase in average interest-earning assets. The net interest margin improved by 13 basis points. An increase in the interest spread was partly offset by a decline in the contribution from interest-free liabilities; the benefit of an increase in free equity and current account credit balances was offset by lower interest rates.

Financial review

Net interest income from international operations fell by £38 million, or 7 per cent, to £484 million. Average interest-earning assets grew by 25 per cent, mainly reflecting increases in lending to banks and in debt securities, chiefly in Brazil and New Zealand and from international activities of Treasury in London. This was offset by a reduction of 73 basis points in the net interest margin, owing to a lower interest spread and lower past due interest receipts. In 1994, international net interest income included £76 million past due interest received from Brazil and Poland and in 1993 included £177 million past due interest from Argentina.

Group interest-earning assets £bn

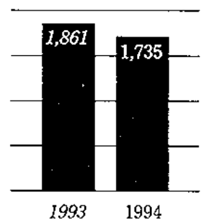


	1993	1994
Group:		
Net interest income £m	*2,113*	2,150
Average interest-earning assets £m	*59,613*	64,706
Gross yield on interest-earning assets %	*7.73*	7.70
Interest spread %	*2.64*	2.56
Net interest margin %	*3.54*	3.32
Domestic:		
Net interest income £m	*1,591*	1,666
Average interest-earning assets £m	*41,154*	41,608
Gross yield on interest-earning assets %	*8.02*	7.52
Interest spread %	*3.11*	3.29
Net interest margin %	*3.87*	4.00
International:		
Net interest income £m	*522*	484
Average interest-earning assets £m	*18,459*	23,098
Gross yield on interest-earning assets %	*7.09*	8.04
Interest spread %	*1.64*	1.48
Net interest margin %	*2.83*	2.10

Other income

Other income was hit by losses in the bond markets and by a further provision against pension policies. Fees and commissions receivable, which relate to a wide range of services provided across the Group, increased by £68 million, or 5 per cent. This included an 18 per cent improvement from insurance broking and an 11 per cent increase in international fees and commissions. Dealing profits (before expenses) were down £141 million, largely overseas. Foreign exchange trading income held up well, but there was a net loss on securities (before taking account of related net interest income – see below), reflecting weakness in bond markets in most countries where the Group operates. The lower increase in the value of long-term assurance business reflected a lower level of sales in a difficult market and an additional provision of £60 million for possible redress to purchasers of pension policies, bringing the total provision to £80 million.

Other income £m

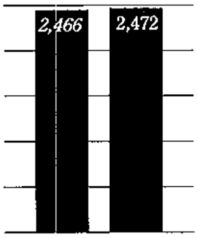


	1993 *£m*	1994 £m
Dividend income from equity shares	*6*	12
Fees and commissions receivable:		
UK current account fees	*335*	338
Other UK fees and commissions	*524*	534
Insurance broking	*98*	116
Credit cards	*77*	83
Estate agency	*69*	70
International fees and commissions	*261*	291
	1,364	1,432
Fees and commissions payable	*(42)*	(56)
Dealing profits (before expenses):		
Foreign exchange trading income	*116*	105
Securities and other gains (losses)*	*91*	(39)
	207	66
Other operating income:		
Increase in value of long-term assurance business	*225*	167
Other	*101*	114
	326	281
Total	*1,861*	1,735

*The description 'dealing profits (before expenses)' is a statutory requirement and the income included under this heading does not include net interest income of £103 million *(1993: £37 million)* derived from dealing assets.

Financial review

Operating expenses
£m

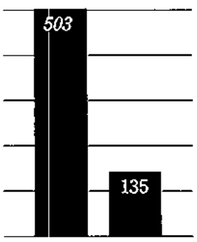


Operating expenses

Costs were tightly controlled. Staff expenses were virtually unchanged. Premises and equipment costs were down £41 million and other expenses were up £3 million. Staff profit sharing increased by £7 million as a consequence of the improved results and depreciation increased by £38 million, largely reflecting the accelerated write-down of equipment as we continue to invest in new technology. The number of employees fell by 1,818, or 3 per cent. The reduction in past due interest receipts, mainly PCD, adversely affected the cost:income ratio. In 1994, the ratio declined to 63.6 per cent, compared with 62.1 per cent in 1993.

	1993 £m	1994 £m
Administrative expenses		
Staff:		
Salaries	*1,066*	1,078
National insurance	*94*	97
Pensions	*12*	19
Staff benefits	*37*	28
Restructuring	*51*	25
Other	*46*	58
	1,306	1,305
Premises and equipment:		
Rent and rates	*168*	163
Hire of equipment	*41*	42
Repairs and maintenance	*72*	59
Other	*113*	89
	394	353
Other expenses:		
Communications and external data processing	*183*	187
Advertising and promotion	*62*	70
Professional fees	*45*	51
Other	*292*	277
	582	585
Total administrative expenses	*2,282*	2,243
Staff profit sharing	*37*	44
Depreciation	*147*	185
Total operating expenses	*2,466*	2,472
Cost : income ratio	*62.1%*	63.6%
Number of employees at year-end (full-time equivalent)	*61,710*	59,892

Charge for bad and doubtful debts £m



Provisions for bad and doubtful debts

The total charge for bad and doubtful debts was £135 million, or 0.3 per cent of lending, compared with £503 million, or 1.2 per cent of lending, in 1993.

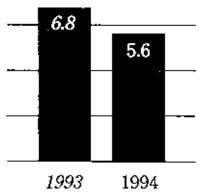
Provisions charge	*1993 £m*	1994 £m
Specific provisions: credit risks		
UK Retail Banking and Insurance	*424*	325
Corporate Banking and Treasury	*44*	25
Private Banking and Financial Services	*6*	(1)
International Banking (excluding PCD)	*30*	26
	504	375
General provisions: credit risks	*45*	—
Total provisions: credit risks	*549*	375
Specific provisions: country risks	*(46)*	(240)
Total	*503*	135

Financial review

The charge for credit risks (non-PCD) was £174 million lower at £375 million, or 0.9 per cent of lending, compared with £549 million, or 1.4 per cent of lending, a year ago. The charge arose mainly in UK Retail Banking, whose bad debts were down £99 million at £325 million. The charge on personal and small business accounts has reduced substantially. For Corporate Banking there was a charge of £25 million, compared with a specific charge of £44 million in 1993 of which £25 million was transferred from the general provision. The charge for International Banking was £4 million lower at £26 million. For country risks (PCD) there was a net release of provisions of £240 million, compared with a net release of £46 million a year ago.

Total provisions held at the end of 1994 to meet future loan losses were £2,345 million, representing 5.6 per cent of lending, compared with £2,926 million, or 6.8 per cent of lending, at the end of 1993. If unapplied interest is included, the cover ratio was 6.2 per cent, compared with 7.8 per cent a year ago. (Movements in provisions during the year are shown on page 20 in note 13.)

Total provisions as % of lending



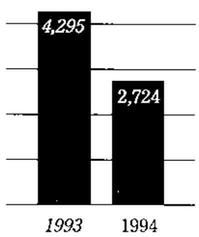
Total provisions for bad and doubtful debts as % of lending (year-end)	*1993 £m*		1994 £m	
Specific: credit risks				
Domestic	*691*	*(2.2%)*	620	(2.0%)
International	*124*	*(1.5%)*	125	(1.5%)
	815	*(2.0%)*	745	(1.9%)
General: credit risks	*288*	*(0.7%)*	275	(0.7%)
Total: credit risks	*1,103*	*(2.8%)*	1,020	(2.6%)
Specific: country risks	*1,823*	*(64.5%)*	1,325	(51.8%)
Total	*2,926*	*(6.8%)*	2,345	(5.6%)

Ratios have been calculated on lending excluding unapplied interest.

Non-performing lending

	1993 £m	1994 £m
Movements		
At 1 January	*5,082*	4,295
Lending returning to performing status	*(524)*	(1,097)
Write-offs	*(733)*	(644)
Additions less repayments	*470*	170
At 31 December	*4,295*	2,724
Balance at end of year		
Excluding problem country debt:		
Doubtful loans and advances	*1,328*	914
Debt recovery	*1,370*	1,242
	2,698	2,156
Problem country debt not fully serviced	*1,597*	568
Total non-performing lending	*4,295*	2,724

Non-performing lending £m



Credit quality continued to improve in 1994. Total non-performing lending (including PCD) was reduced by £1,571 million, or 37 per cent, to £2,724 million from £4,295 million at the end of 1993. This reduction was the result of lending of £1,097 million, largely PCD, returning to performing status, and write-offs of £644 million. Additions less repayments were £170 million, down from £470 million a year ago.

Total non-performing lending (excluding PCD) was reduced by £542 million to £2,156 million, representing 5.5 per cent of total lending (excluding PCD), compared with £2,698 million, or 6.7 per cent, at the end of 1993. Provisions held against principal lending and unapplied interest represented 33 per cent of total non-performing lending (excluding PCD), compared with 30 per cent a year ago. If lending and provisions are adjusted for cumulative amounts written off, the cover ratio was 53 per cent, compared with 47 per cent.

At the end of 1994, £568 million, or 21 per cent of the problem country debt portfolio included in loans and advances was non-performing, down from £1,597 million, or 51 per cent, at the end of 1993. This includes lending which is being partially serviced.

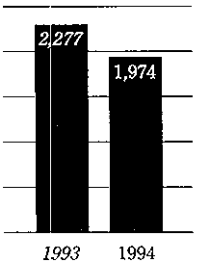
Financial review

Problem country debt

	1993 *£m*	1994 £m
Brazil	*825*	430
Venezuela	*450*	436
Rest of Latin America	*596*	574
Rest of the World	*707*	712
Total loans and advances*	*2,578*	2,152
Unapplied interest	*(301)*	(178)
Provisionable exposure	*2,277*	1,974
Provisions for bad and doubtful debts	*(1,823)*	(1,325)
Unprovided exposure	*454*	649
Provisions as % of provisionable exposure	*80%*	67%

*Total loans and advances exclude £584 million *(1993: £549 million)* voluntary short-term trade and interbank facilities, which are fully serviced and not affected by restrictions on payment.

Problem country debt
Provisionable exposure
£m



In 1994, there was a net reduction of £303 million in the amount of provisionable exposure included in loans and advances, following rescheduling agreements with Brazil and Poland. As part of the arrangements, in exchange for advances the Bank received par bonds with a face value of US$512 million. These bonds are collateralised by US Treasury zero-coupon securities, which at maturity in 2024 will have a redemption value equal to the face value of the bonds. The bonds have been transferred to investment securities at market value less 10 per cent at the date of transfer. The difference between the value at the date of transfer and maturity value will be taken into profits in equal annual instalments over the life of the bonds.

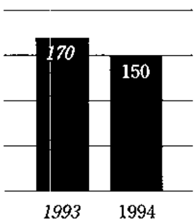
Completion of the rescheduling agreements and a further reduction in non-performing PCD lending enabled us to release provisions of £240 million and to reduce total cover for provisionable exposure of £1,974 million included in advances to 67 per cent at the end of 1994. After the release of provisions and a decline in secondary market prices during the year, at the end of 1994 the surplus of market value over net book value of the total PCD portfolio (including advances, collateralised bonds and unapplied interest) was about £400 million.

Tax

The tax charge for 1994 of £425 million represented an effective tax rate of 33 per cent *(1993: 33 per cent)*, the same as the UK corporation tax rate. The rate of tax is influenced by the geographic and business mix of profits.

Capital expenditure

Capital expenditure £m



In 1994, £150 million was invested in premises and equipment, compared with £170 million in 1993. Capital expenditure over the past five years has totalled £1,044 million. This investment has been mainly in support of UK activities, in the branch network and in new technology to enhance future profitability. It has been wholly financed by a combination of internally generated funds and disposals. At the end of 1994, there were further capital expenditure commitments of £31 million in respect of premises and equipment.

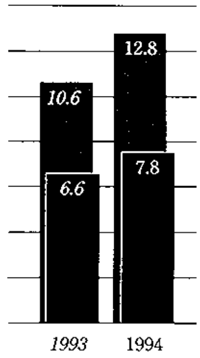
Financial review

Capital ratios

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off-balance sheet exposures weighted according to broad categories of risk. In 1994, total capital increased by £1,202 million, or 24 per cent. Tier 1 capital rose by £691 million, largely from retained profits, and tier 2 capital increased by £500 million from the issue of £800 million dated loan capital less repayments on the maturity of previous issues. Total risk weighted assets increased by £1.1 billion. As a result, the risk asset ratio improved to 12.8 per cent from 10.6 per cent for total capital and to 7.8 per cent from 6.6 per cent for tier 1 capital.

	1993 *£m*	1994 £m
Capital: tier 1	*3,160*	3,851
: tier 2	*2,721*	3,221
	5,881	7,072
Unconsolidated investments	*(806)*	(795)
Total capital	*5,075*	6,277
Risk weighted assets: on-balance sheet	*41,500*	42,500
: off-balance sheet	*6,600*	6,700
Total risk weighted assets	*48,100*	49,200
Risk asset ratios: total capital	*10.6%*	12.8%
: tier 1	*6.6%*	7.8%

Risk asset ratio %



Liquidity

The Group's liquidity policy is based on ensuring that funding requirements can be met, both to replace existing deposits as they mature and to satisfy demands for additional borrowing. To provide ready access to funds, the source and maturity of deposits are managed to avoid any undue concentration of funding requirements at any one time or from any one source.

A substantial proportion of the Group's deposits are made up of current and savings accounts which, although repayable on demand or at short notice, have traditionally formed a stable deposit base. The spread by number and type of depositor helps to ensure against any unusually large withdrawal of these deposits. In addition, a large part of sterling liquidity is held in high quality liquid assets such as discount house deposits, eligible bank bills, treasury bills and gilt-edged stocks.

In the wholesale markets, the Group has a significant involvement in the London money market and other major financial centres around the world. This involvement and the strength of the Group's earnings and balance sheet are important factors in assuring the continued availability of wholesale deposits at competitive market rates.

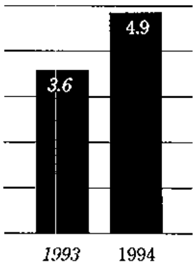
Interest rate and exchange rate exposure

The main objective of the Group's management of its structural interest rate exposure is to limit the adverse effect of interest rate movements on profits and to enhance earnings within defined risk parameters. A substantial proportion of customer deposits and lending is at variable interest rates, principally related to published rates (including base and money market rates) or at 'managed' rates adjusted at the option of the Bank. Fixed rate assets and liabilities are largely matched and any mismatches are managed through the use of interest rate swaps and other derivatives. Foreign currency assets are matched with deposits in the same currency wherever possible.

The Group's interest rate and exchange rate exposure on its trading portfolio is subject to strict controls in each dealing centre to allow trading to take place with other bank and corporate counterparties. All open positions are closely monitored to control the Group's exposure within prudential limits.

Financial review

Derivatives:
replacement cost £bn



Derivatives

Derivatives are contracts or agreements whose price is 'derived' from the value of underlying assets such as currencies, equities, or commodities; from indicators like interest rates or exchange rates; or from a stock market or other index. Typically, the derivative instruments that result comprise futures, forwards, swaps and option contracts in a variety of forms. The Group uses derivatives to meet the financial needs of customers, as part of the Group's trading activities and to reduce its own exposure to fluctuation in interest and exchange rates.

As shown in the table below, the underlying total principal amount of exchange rate contracts was £182.3 billion at the end of 1994, compared with £140.2 billion at the end of 1993, and interest rate contracts increased to £556.3 billion from £327.3 billion. However, this does not represent the Group's real exposure to credit risk which is limited to the current cost of replacing contracts at current market rates should the counterparties default. Based on market prices at the end of 1994, the total gross amount of such potential loss on exchange rate contracts was £2.6 billion, or 1.4 per cent of the underlying principal amount, and on interest rate contracts was £2.3 billion, or 0.4 per cent of the underlying principal amount. No account is taken of master netting agreements which reduce the gross exposure.

Remaining maturity	Under 1 year £bn	1 to 5 years £bn	Over 5 years £bn	Total 1994 £bn	*Total 1993 £bn*
Exchange rate contracts:					
Underlying principal amount	179.3	2.8	0.2	182.3	*140.2*
Replacement cost	2.5	0.1	—	2.6	*1.6*
Interest rate contracts:					
Underlying principal amount	329.6	222.3	4.4	556.3	*327.3*
Replacement cost	0.9	1.1	0.3	2.3	*2.0*

All derivatives activity is subject to the same credit approvals, limits and monitoring procedures used for other credit transactions, all of which are aggregated to measure total counterparty risk. Derivatives exposure to individual counterparties is calculated daily as the sum of mark-to-market values and conservative add-ons for potential future exposure. Of the total gross replacement costs of £4.9 billion at the end of 1994, £4.4 billion, or 90 per cent, related to banks incorporated in OECD countries.

The overwhelming majority of derivatives activity consists of cash substitutes such as forward foreign exchange, interest rate swaps and forward rate agreements. At the end of 1994, gross replacement costs related to over-the-counter options activity, including purchased currency, interest rate and equity options, were £9 million, or 0.2 per cent of total gross replacement costs.

The underlying principal amounts are not included in the balance sheet. Derivatives entered into for dealing purposes are marked to market and the mark-to-market amount included in 'other assets' and 'other liabilities'. Unrealised gains and losses on these contracts are taken to the profit and loss account as dealing profits or losses. Contracts entered into as hedges are accounted for in the same way as the underlying items being hedged.

Consolidated profit and loss account

for the year ended 31 December 1994

	Note	1994 £ million	*1993 £ million*
Interest receivable:			
Interest receivable and similar income arising from debt securities		564	*414*
Other interest receivable and similar income		4,508	*4,369*
Interest payable		2,922	*2,670*
Net interest income		2,150	*2,113*
Other income			
Dividend income from equity shares		12	*6*
Fees and commissions receivable		1,432	*1,364*
Fees and commissions payable		(56)	*(42)*
Dealing profits (before expenses)		66	*207*
Other operating income		281	*326*
		1,735	*1,861*
Total income		3,885	*3,974*
Operating expenses			
Administrative expenses	2	2,243	*2,282*
Staff profit sharing		44	*37*
Depreciation	21	185	*147*
		2,472	*2,466*
Trading surplus		1,413	*1,508*
Provisions for bad and doubtful debts	13		
Specific		135	*458*
General		—	*45*
		135	*503*
Amounts written off fixed asset investments	3	2	*—*
Operating profit		1,276	*1,005*
Income from associated undertakings		(2)	*26*
Profit on sale of shares in associated undertaking	19	30	*—*
Profit on ordinary activities before tax	4	1,304	*1,031*
Tax on profit on ordinary activities	6	425	*337*
Profit on ordinary activities after tax		879	*694*
Minority interests (equity)		82	*89*
Profit for the financial year attributable to shareholders	7	797	*605*
Dividends	8	334	*284*
Retained profit	35	463	*321*
Earnings per share	9	61.7p	*47.4p*

Balance sheets

at 31 December 1994

		Group		Bank	
		1994	*1993*	1994	*1993*
	Note	£ million	*£ million*	£ million	*£ million*
Assets					
Cash and balances at central banks		439	*431*	348	*306*
Items in course of collection from banks		1,554	*1,995*	1,541	*1,953*
Treasury bills and other eligible bills	*10*	3,131	*2,950*	2,663	*2,610*
Loans and advances to banks	*11*	12,426	*13,089*	13,332	*14,021*
Loans and advances to customers	*12*	39,020	*39,287*	30,717	*31,929*
Debt securities	*16*	7,459	*5,539*	5,622	*4,443*
Equity shares	*17*	249	*173*	162	*50*
Interests in associated undertakings	*19*	108	*190*	7	*118*
Shares in group undertakings	*20*	—	—	2,220	*2,284*
Tangible fixed assets	*21*	1,731	*1,783*	1,426	*1,499*
Other assets	*24*	4,635	*4,013*	4,143	*3,540*
Prepayments and accrued income		1,397	*1,189*	1,027	*870*
Long-term assurance business attributable to shareholders	*25*	1,051	*997*	—	—
		73,200	*71,636*	63,208	*63,623*
Long-term assurance assets attributable to policyholders	*25*	8,157	*8,121*	—	—
Total assets		81,357	*79,757*	63,208	*63,623*

The directors approved the accounts on 9 February 1995.

J R Ibbs *(Chairman)* B I Pitman *(Chief Executive)* M K Atkinson *(Chief Financial Officer)*

J.R. Ibbs B.I. Pitman

Balance sheets

at 31 December 1994

	Note	Group 1994 £ million	Group *1993 £ million*	Bank 1994 £ million	Bank *1993 £ million*
Liabilities					
Deposits by banks	*27*	12,794	*12,646*	13,632	*13,808*
Customer accounts	*28*	37,909	*38,357*	31,828	*34,349*
Items in course of transmission to banks		736	*762*	718	*738*
Debt securities in issue	*29*	7,334	*7,282*	5,052	*4,469*
Other liabilities	*30*	5,349	*4,626*	4,463	*3,786*
Accruals and deferred income		1,534	*1,631*	1,049	*1,177*
Provisions for liabilities and charges:					
Deferred tax	*31*	195	*100*	(184)	*(272)*
Other provisions for liabilities and charges	*32*	162	*190*	112	*144*
Subordinated liabilities:					
Undated loan capital	*33*	1,182	*1,251*	1,182	*1,251*
Dated loan capital	*33*	1,771	*1,166*	1,689	*1,090*
Other subordinated liabilities	*33*	6	*20*	6	*20*
Minority interests (equity)		567	*542*	—	—
Called-up share capital	*34*	1,297	*1,284*	1,297	*1,284*
Share premium account	*35*	53	*32*	53	*32*
Revaluation reserve	*35*	59	—	1,092	*1,036*
Profit and loss account	*35*	2,252	*1,747*	1,219	*711*
Shareholders' funds		3,661	*3,063*	3,661	*3,063*
		73,200	*71,636*	63,208	*63,623*
Long-term assurance liabilities to policyholders		8,157	*8,121*	—	—
Total liabilities		81,357	*79,757*	63,208	*63,623*
Memorandum items	*39*				
Contingent liabilities:					
Acceptances and endorsements		594	*650*	437	*516*
Guarantees and assets pledged as collateral security		1,762	*1,686*	2,805	*2,832*
Other contingent liabilities		1,360	*1,353*	864	*936*
		3,716	*3,689*	4,106	*4,284*
Commitments:					
Commitments arising out of sale and option to resell transactions		6	*10*	6	*10*
Other commitments		15,820	*14,833*	13,623	*12,481*
		15,826	*14,843*	13,629	*12,491*

Statement of total recognised gains and losses
for the year ended 31 December 1994

	1994 £ million	*1993 £ million*
Profit attributable to shareholders	797	*605*
Currency translation differences on foreign currency net investments	78	*20*
Total recognised gains and losses relating to the year	875	*625*
Prior year adjustment for post-retirement benefits other than pensions		*(34)*
Total gains and losses recognised during the year		*591*

Historical cost profits and losses
for the year ended 31 December 1994

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

Reconciliation of movements in shareholders' funds
for the year ended 31 December 1994

	1994 £ million	*1993 £ million*
Profit attributable to shareholders	797	*605*
Dividends	(334)	*(284)*
	463	*321*
Other recognised net gains and losses relating to the year	78	*20*
Issue of shares	51	*47*
Premium on acquisition	—	*(38)*
Discount on acquisition	6	*17*
Net increase in shareholders' funds	598	*367*
Shareholders' funds at beginning of year	3,063	*2,696*
Shareholders' funds at end of year	3,661	*3,063*

Consolidated cash flow statement

for the year ended 31 December 1994

	1994 £ million	*1993 £ million*
Net cash inflow from operating activities (note 40a)	730	*3,861*
Returns on investments and servicing of finance:		
Dividends received from associated undertakings	10	*14*
Dividends paid	(280)	*(224)*
Dividends paid to minority shareholders in group undertaking	(51)	*(47)*
Interest paid on subordinated liabilities (loan capital)	(145)	*(122)*
Interest element of finance lease rental payments	(2)	*(6)*
Net cash outflow from returns on investments and servicing of finance	(468)	*(385)*
Tax:		
UK corporation tax	(105)	*(2)*
Overseas tax	(62)	*(46)*
Total tax	(167)	*(48)*
Investing activities:		
Net additions to investment securities	(978)	*(226)*
Sale of shares in associated undertaking	65	—
Addition to interests in associated undertakings	(35)	—
Acquisition of group undertaking (note 40f)	—	*(27)*
Additions to tangible fixed assets	(150)	*(170)*
Disposals of tangible fixed assets	30	*35*
Capital injections to life fund	(12)	—
Purchase of shares from minority shareholders	—	*(74)*
Net cash outflow from investing activities	(1,080)	*(462)*
Net cash (outflow) inflow before financing	(985)	*2,966*
Financing:		
Issue of subordinated liabilities (loan capital)	794	*200*
Issue of ordinary share capital	34	*28*
Repayments of subordinated liabilities (loan capital)	(191)	*(105)*
Capital element of finance lease rental payments	(43)	*(41)*
Net cash inflow from financing	594	*82*
(Decrease) increase in cash and cash equivalents (note 40c)	(391)	*3,048*

Consolidated cash flow attributable to shareholders

for the year ended 31 December 1994

Net cash inflow attributable to:		
Shareholders and minorities*	140	*576*
Other balance sheet movements	(531)	*2,472*
(Decrease) increase in cash and cash equivalents	(391)	*3,048*

*The net cash inflow attributable to shareholders and minorities represents the ***net cash flow from trading activities*** (note 40a on page 30) adjusted for the items set out in note 40g.

Notes to the accounts

1 Accounting policies

Accounting policies are unchanged from those of 1993.

a Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of shares in group undertakings and interests in associated undertakings, debt securities and equity shares held for dealing purposes, and premises (see **e**, **f**, **g** and **h**) in compliance with Sections 255 and 255A, Schedule 9 and other requirements of the Companies Act 1985 and in accordance with applicable accounting standards.

b Basis of consolidation

Assets, liabilities and results of group undertakings and the share of results of associated undertakings are included in the consolidated accounts on the basis of the accounts made up to 31 December. In order to reflect the different nature of the shareholders' and policyholders' interests in the long-term assurance business, the value of long-term assurance business attributable to shareholders and the assets and liabilities attributable to policyholders are classified under separate headings in the consolidated balance sheet.

c Premiums and discounts on acquisitions

Premiums and discounts arising on acquisitions of or by group and associated undertakings are taken direct to profit and loss account reserves in the year of acquisition.

d Provisions for bad and doubtful debts and interest in suspense

Provisions for bad and doubtful debts are based on the year-end appraisal of advances. The specific element relates to identified risk advances, whereas the general element relates to latent bad and doubtful debts which are present in any portfolio of bank advances but have not been specifically identified.
Advances are written down to estimated realisable value when the normal banking relationship with the customer has ceased; where it is doubtful that interest earned on loans and advances will be collectable, it is credited to an interest in suspense account and is only released to the profit and loss account when its collectability is no longer subject to significant doubt.

e Debt securities and equity shares

Premiums and discounts on debt securities, apart from those held for dealing purposes, are amortised from purchase to maturity in equal annual instalments. Debt securities acquired in exchange for advances to countries experiencing payment difficulties, either collateralised or due to be collateralised by US Treasury securities, are included in the Bank's portfolio of investment securities at an amount based on the market value at the date of exchange as adjusted for the amortisation of discount on acquisition. Equity shares are stated at cost less amounts written off or at directors' valuation. Debt securities and equity shares held for dealing purposes are included at market value. Investments held within the long-term assurance fund are included on the following basis: stocks, shares, fixed interest securities and unit trusts held for unit linked funds are valued in accordance with policy conditions at market prices; other stocks and shares and fixed interest securities are valued at middle market price and other unit trusts at bid price; investment properties are included at valuation by independent valuers at open market value for existing use at 31 December 1994, and mortgages and loans are at cost less amounts written off.

f Shares in group undertakings

Shares in group undertakings are stated in the balance sheet of the Bank at its share of net tangible assets, with the exception of the life assurance group undertakings which are stated on the basis described in **m**.

g Interests in associated undertakings

Interests in associated undertakings are stated at the Group or Bank share of the net tangible assets of the relevant undertakings.

1 Accounting policies (continued)

h Tangible fixed assets

Freeholds and long leaseholds are included at the last valuation on the basis of open market value for existing use or depreciated replacement cost as appropriate. Short leaseholds (50 years or less) and equipment are included at cost less depreciation.
Land is not depreciated. Leasehold premises with unexpired lease terms of 50 years or less are depreciated by equal annual instalments over the remaining period of the lease. Freehold and long leasehold buildings are maintained in a state of good repair and it is considered that residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are such that depreciation is not significant. The costs of adapting premises for the use of the Group are separately identified and depreciated over 10 years, or over the term of the lease if less; such costs are included within premises in the balance sheet total of tangible fixed assets. Equipment is depreciated by equal annual instalments over the estimated useful lives of the assets, which for fixtures and furnishings are 10-20 years and for computers, motor vehicles and other equipment are 3-6 years.

i Leasing and instalment credit transactions

Leasing income is credited to the profit and loss account in proportion to the net cash invested so as to give a constant rate of return over each period after taking account of tax.
Income from instalment credit transactions is calculated by the sum of the digits method.
Operating lease costs are charged to the profit and loss account in equal annual instalments over the life of the lease.
The interest element of finance lease obligations is charged to the profit and loss account over the life of the lease at a constant proportion of the balance of capital repayments outstanding.

j Deferred tax

Deferred tax is provided at the appropriate rates of tax where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

k Pensions and other post-retirement benefits

Contributions to the Group's pension schemes are charged to the profit and loss account so as to spread the expected cost of pensions, calculated in accordance with actuarial advice, on a systematic basis over employees' working lives. Pension arrangements for staff in the UK and for the majority of those overseas are operated through defined benefit schemes funded by the Bank. The pension cost relating to these schemes is assessed in accordance with the advice of qualified actuaries, using the projected unit method. Variations from the regular cost are allocated by equal annual instalments over the average remaining service lives of current employees. Arrangements for pensions of certain staff employed overseas who are not included in funded schemes are made in accordance with local regulations and custom.
The cost of providing post-retirement benefits other than pensions is charged to the profit and loss account on a systematic basis over employees' working lives. The unfunded liability is included in provisions in the balance sheet.

l Foreign currency translation

Assets, liabilities and results in foreign currencies are expressed in sterling at the rates of exchange ruling on the dates of the respective balance sheets. For countries experiencing hyper-inflation, a charge is made against profits as interest expense to the extent that local inflation erodes the value of the working capital employed during the year. Other exchange adjustments on translation of working capital held abroad and in the UK on account of foreign currency operations and exchange adjustments arising on trade investments, premises and equipment, offset by those on any related currency loan capital, are taken direct to reserves.

Notes to the accounts

1 Accounting policies (continued)

m Long-term assurance business

The value placed on the Group's long-term assurance business attributable to shareholders represents a prudent valuation of future earnings of policies in force, together with the net worth of the business, being the net tangible assets and the surplus retained within the long-term assurance funds. This value is determined annually in consultation with independent actuaries and is included separately in the balance sheet.

Changes in the value placed on long-term assurance business attributable to shareholders, which are determined on a post-tax basis, are included in the profit and loss account. For the purpose of presentation, the change in this value is grossed-up at the underlying rates of tax in the long-term assurance funds.

n Off-balance sheet instruments

Off-balance sheet instruments used in trading activities are carried at market value. Profits and losses on instruments which are being used to hedge exposures are recognised in a manner that reflects the accounting treatment of the assets or liabilities being hedged.

2 Administrative expenses

	1994 £m	*1993 £m*
Wages and salaries	1,189	*1,200*
Social security costs	97	*94*
Other pension costs	19	*12*
Staff costs	1,305	*1,306*
Other administrative expenses	938	*976*
	2,243	*2,282*

The average number of persons on a headcount basis employed by the Group during the year was as follows:	1994	*1993*
Lloyds Abbey Life	10,513	*10,479*
Rest of Lloyds Bank Group: UK	42,758	*48,115*
: overseas	8,849	*8,588*
	62,120	*67,182*

The auditors' remuneration was £2,951,000 *(1993: £2,936,000)*, of which £935,000 *(1993: £923,000)* related to Lloyds Bank Plc. Fees paid to Price Waterhouse in respect of non-audit services were £2,374,000 *(1993: £2,571,000)*, of which £1,322,000 *(1993: £1,721,000)* related to UK companies.

The total pension cost for the Group in 1994 was £19 million *(1993: £12 million)*, which included a charge of £4 million *(1993: £4 million credit)* relating to the main pension scheme.

Full actuarial valuations of the main scheme are carried out every three years with interim reviews in the intervening years. At 30 June 1993, the date of the latest full actuarial valuation, the principal actuarial assumptions adopted were that, over the long term, the annual rate of return on new investments would be 2.5 per cent higher than the annual increase in pensionable remuneration and 5 per cent higher than the annual increase in present and future pensions in payment, and 4.5 per cent higher than the annual increase in dividends receivable. The market value of the assets of the main scheme at this date was £4,021 million. The actuarial value of the assets represented 117 per cent of the accrued liabilities allowing for future increases in pensions and pensionable remuneration.

2 Administrative expenses (continued)

For funding purposes, the surplus of the main scheme is being eliminated by a reduction in the Bank's contribution rate to the average rate of normal contributions paid by members to the scheme. It is anticipated that contributions on this basis will be required from the Bank for the foreseeable future. Contribution rates to other schemes have been adjusted to take account of surpluses and deficiencies. The pensions prepayment of £158 million *(1993: £137 million)* for the Group and £158 million *(1993: £136 million)* for the Bank is included in prepayments and accrued income.

The Group operates a number of schemes which provide post-retirement health care benefits to certain employees, retired employees and their dependent relatives. The total cost for the Group in 1994 was £4 million *(1993: £4 million)*. The latest full actuarial valuation of the liability was carried out at 31 December 1994. The principal actuarial assumptions adopted were that, over the long term, the valuation discount rate and the rate of increase in medical costs would be 4.5 per cent and 6.5 per cent respectively higher than annual price inflation.

3 Amounts written off fixed asset investments

	1994 £m	*1993 £m*
Debt securities	2	–
Equity shares	–	–
	2	–

4 Profit on ordinary activities before tax

	1994 £m	*1993 £m*
Profit on ordinary activities before tax is stated after taking account of:		
Income from:		
Equipment leased to customers and banks and hire purchase contracts: aggregate amounts receivable	1,405	*1,379*
Increase in value of long-term assurance business	167	*225*
Listed securities	434	*284*
Profit less losses from securities trading	(44)	*63*
Profit less losses on disposal of investment securities	14	*7*
Charges:		
Rental of premises	121	*121*
Hire of equipment	42	*41*
Interest on subordinated liabilities (loan capital)	178	*133*
Finance leases: charges	2	*6*
: depreciation	46	*19*

Notes to the accounts

5 Segment analysis

	Profit on ordinary activities before tax 1994 £m	1993** £m
Class of business:		
UK Retail Banking and Insurance	437	*319*
Corporate Banking and Treasury	302	*280*
Private Banking and Financial Services	96	*98*
International Banking	112	*153*
Problem Country Debt	328	*260*
Central group items*	29	*(79)*
	1,304	*1,031*

*1993 includes a general provision of £70 million.

Geographical area:	Domestic 1994 £m	International 1994 £m	Problem country debt 1994 £m	Total 1994 £m
Interest receivable	3,135	1,759	178	5,072
Dividend income from equity shares	7	5	–	12
Fees and commissions receivable	1,134	294	4	1,432
Dealing profits (before expenses)	14	52	–	66
Other operating income	234	45	2	281
Total gross income	4,524	2,155	184	6,863
Profit on ordinary activities before tax	791	185	328	1,304

	Domestic 1993 £m	*International 1993 £m*	*Problem country debt 1993 £m*	*Total 1993 £m*
Interest receivable	*3,305*	*1,148*	*330*	*4,783*
Dividend income from equity shares	*4*	*2*	–	*6*
Fees and commissions receivable	*1,098*	*263*	*3*	*1,364*
Dealing profits (before expenses)	*59*	*146*	*2*	*207*
Other operating income	*275*	*30*	*21*	*326*
Total gross income	*4,741*	*1,589*	*356*	*6,686*
Profit on ordinary activities before tax	*535*	*236*	*260*	*1,031*

	Net assets† 1994 £m	*1993** £m*	Assets‡ 1994 £m	*1993** £m*
Class of business:				
UK Retail Banking and Insurance	3,517	*3,260*	27,737	*27,208*
Corporate Banking and Treasury	1,507	*1,355*	30,811	*31,823*
Private Banking and Financial Services	85	*80*	2,624	*2,147*
International Banking	588	*434*	9,991	*8,713*
Problem Country Debt	(1,469)	*(1,524)*	2,037	*1,745*
	4,228	*3,605*	73,200	*71,636*
Geographical area:				
Domestic	4,811	*4,451*	49,422	*48,745*
International	886	*678*	21,741	*21,146*
Problem Country Debt	(1,469)	*(1,524)*	2,037	*1,745*
	4,228	*3,605*	73,200	*71,636*

5 Segment analysis (continued)

**1993 figures have been restated to reflect the combination of the results of UK Retail Banking and Lloyds Abbey Life under UK Retail Banking and Insurance and the allocation of earnings on centrally held funds to the appropriate business units based upon the capital supporting risk weighted assets. Previously earnings on centrally held funds were included in central group items.

†Net assets represent shareholders' funds plus minority interests. Disclosure of information on net assets is an accounting standard requirement (SSAP25); it is not appropriate to relate it directly to the segmental profits above because the business is not managed by the allocation of net assets to business units.

‡Assets exclude long-term assurance assets attributable to policyholders.

The geographical distribution of gross income sources, profit on ordinary activities before tax and assets by domestic and international operations is based primarily upon the location of the office recording the transaction. The operations of the Group which are domiciled in the UK, however, are allocated between domestic and international depending on the location of the main source of their business.

As the business of the Group is mainly that of banking and insurance, no segment analysis of turnover is given.

6 Tax on profit on ordinary activities

	1994 £m	*1993 £m*
UK corporation tax	295	*227*
Relief for overseas tax	(42)	*(34)*
Overseas tax	53	*62*
Deferred tax	105	*82*
	411	*337*
Associated undertakings	14	–
	425	*337*

The charge for tax on the profit for the year is based on a UK corporation tax rate of 33% *(1993: 33%)*. Deferred tax includes a charge of £83 million *(1993: £16 million)* in respect of the release of problem country debt provisions for which deferred tax relief was previously assumed (note 31).

The UK corporation tax charge includes £37 million *(1993: £43 million)* in respect of notional tax on franked investment income and on the shareholders' interest in the increase in the value of the long-term assurance business.

7 Profit for the financial year attributable to shareholders

The profit attributable to shareholders includes a profit of £711 million *(1993: £449 million)* dealt with in the accounts of the parent company, for which no profit and loss account is shown as permitted by Section 230(4) of the Companies Act 1985.

8 Dividends

	1994 pence per share	*1993 pence per share*	1994 £m	*1993 £m*
Interim	7.5	*6.6*	97	*84*
Final	18.3	*15.5*	237	*200*
	25.8	*22.1*	334	*284*

During 1994, £17 million *(1993: £19 million)* was transferred to reserves in respect of shares issued instead of cash, representing £12 million in respect of the 1993 final dividend and £5 million in respect of the 1994 interim dividend.

Notes to the accounts

9 Earnings per share

	1994	*1993*
Profit attributable to shareholders	£797m	*£605m*
Weighted average number of shares in issue during the year	1,291m	*1,277m*
Earnings per share	61.7p	*47.4p*

The figures for fully diluted earnings per share are not materially different.

10 Treasury bills and other eligible bills

	1994 Balance sheet £m	1994 Valuation £m	*1993 Balance sheet £m*	*1993 Valuation £m*
Group				
Investment securities:				
Treasury bills and similar securities	92	92	*41*	*41*
Other eligible bills	1,848	1,847	*2,460*	*2,460*
	1,940	1,939	*2,501*	*2,501*
Other securities:				
Treasury bills and similar securities	1,175		*418*	
Other eligible bills	16		*31*	
	1,191		*449*	
	3,131		*2,950*	
Included above: Unamortised discounts net of premiums on investment securities	15		*7*	

Movements in investment securities comprise:	Cost £m	Premiums and discounts £m	Total £m
At 1 January 1994	2,490	11	2,501
Additions	16,649	–	16,649
Bills sold or matured	(17,209)	(121)	(17,330)
Amortisation of premiums and discounts	–	120	120
At 31 December 1994	1,930	10	1,940

	1994 Balance sheet £m	1994 Valuation £m	*1993 Balance sheet £m*	*1993 Valuation £m*
Bank				
Investment securities:				
Treasury bills and similar securities	64	64	*39*	*39*
Other eligible bills	1,848	1,847	*2,460*	*2,460*
	1,912	1,911	*2,499*	*2,499*
Other securities:				
Treasury bills and similar securities	735		*82*	
Other eligible bills	16		*29*	
	751		*111*	
	2,663		*2,610*	
Included above: Unamortised discounts net of premiums on investment securities	15		*7*	

10 Treasury bills and other eligible bills (continued)

Movements in investment securities comprise:	Cost £m	Premiums and discounts £m	Total £m
At 1 January 1994	2,488	11	2,499
Additions	16,623	–	16,623
Bills sold or matured	(17,209)	(121)	(17,330)
Amortisation of premiums and discounts	–	120	120
At 31 December 1994	1,902	10	1,912

Investment securities are those intended for use on a continuing basis in the activities of the Group and not for dealing purposes.

The difference between the cost of other securities and market value, where the market value is higher than the cost, is not disclosed as its determination is not practicable.

11 Loans and advances to banks

	Group 1994 £m	*Group 1993 £m*	Bank 1994 £m	*Bank 1993 £m*
Lending to banks	836	*1,367*	2,949	*3,331*
Deposits placed with banks	11,920	*12,541*	10,711	*11,496*
	12,756	*13,908*	13,660	*14,827*
Equipment leased to banks	1	*1*	–	–
Total loans and advances to banks	12,757	*13,909*	13,660	*14,827*
Provisions for bad and doubtful debts	(262)	*(711)*	(260)	*(698)*
Interest held in suspense	(69)	*(109)*	(68)	*(108)*
	12,426	*13,089*	13,332	*14,021*
Repayable on demand	1,906	*1,235*	1,982	*1,405*
Other loans and advances by residual maturity repayable:				
3 months or less	7,892	*8,122*	8,945	*8,590*
1 year or less but over 3 months	2,362	*3,497*	2,127	*3,747*
5 years or less but over 1 year	288	*318*	301	*360*
Over 5 years	309	*737*	305	*725*
Provisions for bad and doubtful debts	(262)	*(711)*	(260)	*(698)*
Interest held in suspense	(69)	*(109)*	(68)	*(108)*
	12,426	*13,089*	13,332	*14,021*
Included above:				
Due from group undertakings – all unsubordinated			2,159	*2,027*
Due from associated undertakings – all unsubordinated	–	*92*	–	*92*

Notes to the accounts

12 Loans and advances to customers

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Lending to customers	37,524	*38,039*	32,745	*34,188*
Hire purchase debtors	1,035	*922*	–	–
Equipment leased to customers	2,762	*2,872*	–	–
Total loans and advances to customers	41,321	*41,833*	32,745	*34,188*
Provisions for bad and doubtful debts	(2,083)	*(2,215)*	(1,851)	*(1,975)*
Interest held in suspense	(218)	*(331)*	(177)	*(284)*
	39,020	*39,287*	30,717	*31,929*
Loans and advances by residual maturity repayable:				
3 months or less	14,447	*17,101*	13,611	*15,420*
1 year or less but over 3 months	3,946	*3,709*	2,964	*2,821*
5 years or less but over 1 year	7,092	*6,539*	4,847	*4,322*
Over 5 years	15,836	*14,484*	11,323	*11,625*
Provisions for bad and doubtful debts	(2,083)	*(2,215)*	(1,851)	*(1,975)*
Interest held in suspense	(218)	*(331)*	(177)	*(284)*
	39,020	*39,287*	30,717	*31,929*
Of which repayable on demand or at short notice	8,462	*10,395*	7,514	*9,533*
Included above:				
Due from group undertakings – all unsubordinated			3,745	*4,715*
Due from associated undertakings – all unsubordinated	33	*26*	–	–

The cost of assets acquired during the year for letting to customers under finance leases and hire purchase contracts amounted to £1,111 million *(1993: £1,326 million)*.

13 Provisions for bad and doubtful debts

	1994 Specific £m	1994 General £m	*1993 Specific £m*	*1993 General £m*
Group				
At 1 January	2,638	288	*2,960*	*237*
Exchange adjustments	(39)	(13)	*(8)*	*5*
Adjustments on acquisition	–	–	*1*	*1*
Advances written off	(492)	–	*(604)*	–
Reclassification of provision for collateralised bonds	(217)	–	*(220)*	–
Recoveries of advances written off in previous years	45	–	*51*	–
Charge to profit and loss account	135	–	*458*	*45*
At 31 December	2,070	275	*2,638*	*288*
		2,345		*2,926*
In respect of:				
Loans and advances to banks		262		*711*
Loans and advances to customers		2,083		*2,215*
		2,345		*2,926*
Bank				
At 1 January	2,454	219	*2,773*	*174*
Exchange adjustments	(37)	(14)	*(7)*	–
Advances written off	(438)	–	*(508)*	–
Reclassification of provision for collateralised bonds	(217)	–	*(220)*	–
Recoveries of advances written off in previous years	34	–	*34*	–
Charge to profit and loss account	110	–	*382*	*45*
At 31 December	1,906	205	*2,454*	*219*
		2,111		*2,673*
In respect of:				
Loans and advances to banks		260		*698*
Loans and advances to customers		1,851		*1,975*
		2,111		*2,673*

Notes to the accounts

14 Interest held in suspense

	1994 £m	1993 £m
Group		
At 1 January	440	*580*
Exchange adjustments	(8)	*(2)*
Interest written off	(158)	*(133)*
Interest taken to income	(87)	*(175)*
Interest suspended during the year	100	*170*
At 31 December	287	*440*
In respect of:		
Loans and advances to banks	69	*109*
Loans and advances to customers	218	*331*
	287	*440*
Loans and advances on which interest is held in suspense:		
Before provisions and interest held in suspense	1,482	*2,925*
Provisions	(643)	*(1,460)*
Interest held in suspense	(287)	*(440)*
After provisions and interest held in suspense	552	*1,025*
Bank		
At 1 January	392	*530*
Exchange adjustments	(8)	*(5)*
Interest written off	(137)	*(106)*
Interest taken to income	(79)	*(169)*
Interest suspended during the year	77	*142*
At 31 December	245	*392*
In respect of:		
Loans and advances to banks	68	*108*
Loans and advances to customers	177	*284*
	245	*392*
Loans and advances on which interest is held in suspense:		
Before provisions and interest held in suspense	1,213	*2,650*
Provisions	(572)	*(1,411)*
Interest held in suspense	(245)	*(392)*
After provisions and interest held in suspense	396	*847*

15 Concentrations of exposure

	Group		Bank	
	1994 £m	1993 £m	1994 £m	1993 £m
Loans and advances to customers and banks				
Domestic:				
Agriculture, forestry and fishing	1,734	*1,719*	620	*660*
Manufacturing	2,659	*3,219*	2,311	*2,905*
Construction	1,067	*1,187*	1,055	*1,177*
Transport, distribution and hotels	2,784	*2,946*	2,358	*2,484*
Property companies	1,895	*2,334*	1,895	*2,333*
Financial, business and other services	7,063	*6,783*	6,807	*6,605*
Personal: customer mortgages	8,490	*7,796*	7,678	*6,855*
: other	4,598	*4,498*	4,389	*4,334*
Lease financing	2,723	*2,820*	–	–
Hire purchase	1,022	*922*	–	–
Due from group undertakings	–	–	4,979	*4,445*
Other	1,940	*2,777*	1,921	*2,715*
	35,975	*37,001*	34,013	*34,513*
Problem country debt†	2,736	*3,127*	2,564	*2,942*
Other international	15,367	*15,614*	9,828	*11,560*
Total	54,078	*55,742*	46,405	*49,015*
†Problem country debt comprises:				
Brazil	430	*825*	429	*778*
Venezuela	436	*450*	436	*450*
Rest of Latin America	574	*596*	540	*596*
Rest of the World	712	*707*	701	*691*
Total loans and advances*	2,152	*2,578*	2,106	*2,515*
Interest held in suspense	(178)	*(301)*	(155)	*(275)*
Provisionable exposure	1,974	*2,277*	1,951	*2,240*
Provisions for bad and doubtful debts	(1,325)	*(1,823)*	(1,302)	*(1,790)*
Unprovided exposure	649	*454*	649	*450*

*Total loans and advances exclude voluntary short-term trade and interbank facilities of £584 million for the Group and £458 million for the Bank *(1993: Group £549 million; Bank £427 million)*, which are fully serviced and not affected by restrictions on payment.

Notes to the accounts

16 Debt securities

	1994 Balance sheet £m	1994 Valuation £m	*1993 Balance sheet £m*	*1993 Valuation £m*
Group				
Investment securities:				
Government securities	2,457	2,316	*1,076*	*1,356*
Other public sector securities	42	42	*61*	*67*
Bank and building society certificates of deposit	1,204	1,218	*990*	*1,001*
Other debt securities	434	435	*421*	*418*
	4,137	4,011	*2,548*	*2,842*
Other securities:				
Government securities	1,322	1,322	*1,497*	*1,497*
Other public sector securities	109	109	*104*	*104*
Bank and building society certificates of deposit	435	435	*134*	*134*
Other debt securities	1,456	1,456	*1,256*	*1,256*
	7,459	7,333	*5,539*	*5,833*
Included above:				
Due from associated undertakings – all unsubordinated	–		*12*	
Due within 1 year	1,994		*1,423*	
Due 1 year and over	5,465		*4,116*	
	7,459		*5,539*	
Unamortised discounts net of premiums on investment securities	905		*727*	
Listed on a recognised UK exchange	2,140	2,136	*1,756*	*1,800*
Listed elsewhere: collateralised bonds	804	737	*742*	*974*
: other	2,502	2,433	*1,510*	*1,508*
Unlisted	2,013	2,027	*1,531*	*1,551*
	7,459	7,333	*5,539*	*5,833*

Movements in investment securities comprise:	Cost £m	Premiums and discounts £m	Provisions £m	Total £m
At 1 January 1994	2,511	51	14	2,548
Exchange adjustments	(67)	–	2	(69)
Additions	8,210	–	–	8,210
Securities sold or matured	(6,600)	–	(11)	(6,589)
Charge for the year	–	–	2	(2)
Amortisation of premiums and discounts	–	39	–	39
At 31 December 1994	4,054	90	7	4,137

16 Debt securities (continued)

	1994 Balance sheet £m	1994 Valuation £m	*1993 Balance sheet £m*	*1993 Valuation £m*
Bank				
Investment securities:				
Government securities	1,413	1,341	*1,067*	*1,346*
Other public sector securities	38	38	*52*	*52*
Bank and building society certificates of deposit	1,204	1,218	*989*	*1,001*
Other debt securities	183	183	*110*	*106*
	2,838	2,780	*2,218*	*2,505*
Other securities:				
Government securities	1,180	1,180	*1,056*	*1,056*
Other public sector securities	–	–	*10*	*10*
Bank and building society certificates of deposit	379	379	*121*	*121*
Other debt securities	1,225	1,225	*1,038*	*1,038*
	5,622	5,564	*4,443*	*4,730*
Included above:				
Due from group undertakings – all unsubordinated	45		*43*	
Due from associated undertakings – all unsubordinated	–		*12*	
Due within 1 year	1,525		*1,066*	
Due 1 year and over	4,097		*3,377*	
	5,622		*4,443*	
Unamortised discounts net of premiums on investment securities	719		*487*	
Listed on a recognised UK exchange	2,185	2,180	*1,756*	*1,800*
Listed elsewhere: collateralised bonds	804	737	*733*	*964*
: other	924	924	*725*	*722*
Unlisted	1,709	1,723	*1,229*	*1,244*
	5,622	5,564	*4,443*	*4,730*

Movements in investment securities comprise:	Cost £m	Premiums and discounts £m	Total £m
At 1 January 1994	2,202	16	2,218
Exchange adjustments	(68)	–	(68)
Additions	7,154	–	7,154
Securities sold or matured	(6,488)	–	(6,488)
Amortisation of premiums and discounts	–	22	22
At 31 December 1994	2,800	38	2,838

Investment securities are those intended for use on a continuing basis in the activities of the Group and not for dealing purposes.

The difference between the cost of other securities and market value, where the market value is higher than the cost, is not disclosed as its determination is not practicable.

Notes to the accounts

17 Equity shares

	1994 Balance sheet £m	1994 Valuation £m	*1993 Balance sheet £m*	*1993 Valuation £m*
Group				
Investment securities:				
Listed on a recognised UK exchange	128	315	*47*	*138*
Listed elsewhere	36	34	*21*	*25*
Unlisted	68	83	*69*	*87*
	232	432	*137*	*250*
Other securities:				
Listed on a recognised UK exchange	11		*31*	
Listed elsewhere	3		*2*	
Unlisted	3		*3*	
	17		*36*	
	249		*173*	

Movements in investment securities comprise:	Cost £m	Provisions £m	Total £m
At 1 January 1994	176	39	137
Additions	56	–	56
Transfer from interests in associated undertakings	75	–	75
Disposals	(38)	(2)	(36)
At 31 December 1994	269	37	232

	1994 Balance sheet £m	1994 Valuation £m	*1993 Balance sheet £m*	*1993 Valuation £m*
Bank				
Investment securities:				
Listed on a recognised UK exchange	119	293	*44*	*135*
Listed elsewhere	33	30	*1*	*5*
Unlisted	10	10	*5*	*5*
	162	333	*50*	*145*

Movements in investment securities comprise:	Cost £m	Provisions £m	Total £m
At 1 January 1994	80	30	50
Additions	40	–	40
Transfer from interests in associated undertakings	75	–	75
Disposals	(3)	–	(3)
At 31 December 1994	192	30	162

Investment securities are those intended for use on a continuing basis in the activities of the Group and not for dealing purposes.

The difference between the cost of other securities and market value, where the market value is higher than the cost, is not disclosed as its determination is not practicable.

18 Assets transferred under sale and repurchase transactions

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Treasury bills and other eligible bills	720	*690*	406	*429*
Debt securities	66	*96*	29	*–*
	786	*786*	435	*429*

19 Interests in associated undertakings

	Group £m	Bank £m
At 1 January 1994	190	118
Exchange adjustments	19	–
Additions	35	–
Transfer to equity shares	(75)	(75)
Disposals	(35)	(35)
Retained profits	(26)	(1)
At 31 December 1994	108	7

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Interests in banks	101	*72*	–	*–*
Interests in other associated undertakings	7	*118*	7	*118*
Total – all unlisted	108	*190*	7	*118*
On a historical cost basis, interests in associated undertakings would have been included as follows:			10	*29*

In July 1994, the Bank's investment in 3i Group Plc was reduced to 9 per cent from 13 per cent as part of the public flotation of the company. This resulted in a profit of £30 million (tax: nil). Before the flotation, 3i Group Plc was owned by a consortium of the UK clearing banks and the Bank of England; the investment was treated as an associated undertaking and the profit and loss account included the Bank's share of the company's profits. Since the flotation, it is no longer appropriate to treat the investment as an associated undertaking and it is now included in equity shares; the profit and loss account only includes dividends received from the company.

Principal associated undertaking	Issued share and loan capital (based on latest audited accounts)	Interest of Lloyds Bank Plc	Nature of business
Banco Multiplic SA *Year end: 31 December*	Ordinary NCz$474m Preferred NCz$474m	*33% *67%	Banking and financial services

*Indirect interest.

Banco Multiplic SA is incorporated in Brazil which is also its principal area of operation. The accounts of Banco Multiplic SA are audited by a firm other than Price Waterhouse.

Notes to the accounts

20 Shares in group undertakings

	Bank £m
At 1 January 1994	2,284
Exchange adjustments	(4)
Acquisitions	–
Liquidation	(200)
Repayment of capital	(5)
Revaluations	145
At 31 December 1994	2,220

	1994 £m	*1993 £m*
Listed on a recognised UK exchange	933	*887*
Unlisted	1,287	*1,397*
	2,220	*2,284*
Market value of listed securities included above	1,438	*1,856*
Shares in banks	1,042	*991*
Shares in other group undertakings	1,178	*1,293*
	2,220	*2,284*
On a historical cost basis, shares in group undertakings would have been included as follows:	1,182	*1,336*

The principal group undertakings, all of which prepare accounts to 31 December and whose results are included in the consolidated accounts of Lloyds Bank Plc, are:

	Country of registration/ incorporation	Percentage of equity share capital and voting rights held	Nature of business
*Lloyds Abbey Life Plc	England	62%	Life assurance and other financial services
Lloyds Bank (BLSA) Limited	England	100%	Banking and financial services
Lloyds Bank Factors Limited	England	100%	Credit factoring
Lloyds Leasing Limited	England	100%	Financial leasing
Lloyds Private Banking Limited	England	100%	Private banking
‡Schröder Münchmeyer Hengst & Co	Germany	†91%	Commercial and investment banking
The Agricultural Mortgage Corporation Plc	England	100%	Long-term agricultural finance
The National Bank of New Zealand Limited	New Zealand	†100%	Banking and financial services

*Lloyds Abbey Life Group includes undertakings audited by a firm other than Price Waterhouse.
†Indirect interest.
‡Partnership.

The country of registration/incorporation is also the principal area of operation for each of the above group undertakings except as follows:
Lloyds Bank (BLSA) Limited operates in Spain, Argentina, Ecuador and Uruguay. The National Bank of New Zealand Limited also operates through representative offices in the UK, USA, Hong Kong and Japan.

21 Tangible fixed assets

	Group		Bank	
	Premises £m	Equipment £m	Premises £m	Equipment £m
Cost or valuation:				
At 1 January 1994	1,258	1,155	1,070	944
Exchange adjustments	8	16	2	8
Additions	32	118	27	71
Disposals	(21)	(70)	(12)	(37)
At 31 December 1994	1,277	1,219	1,087	986
Depreciation:				
At 1 January 1994	61	569	51	464
Charge for the year	29	156	26	130
Exchange adjustments	–	9	–	6
Disposals	(2)	(57)	–	(30)
At 31 December 1994	88	677	77	570
Balance sheet amount at 31 December 1994	1,189	542	1,010	416
	1,731		1,426	
Balance sheet amount at 31 December 1993	*1,197*	*586*	*1,019*	*480*
	1,783		*1,499*	

Equipment includes assets held under finance leases which at 31 December 1994 amounted to £25 million, net of accumulated depreciation of £82 million *(1993: £71 million, net of accumulated depreciation of £36 million).*

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Balance sheet amount of premises comprises:				
Freeholds	933	*931*	780	*780*
Leaseholds 50 years and over unexpired	157	*161*	146	*151*
Leaseholds less than 50 years unexpired	99	*105*	84	*88*
	1,189	*1,197*	1,010	*1,019*
Balance sheet amount of premises comprises:				
Valued in 1990	781	*790*	773	*782*
Valued in 1992	174	*174*	51	*54*
At cost	234	*233*	186	*183*
	1,189	*1,197*	1,010	*1,019*
On a historical cost basis, premises would have been included as follows:				
Cost	1,035	*1,008*	898	*870*
Accumulated depreciation	(114)	*(88)*	(99)	*(75)*
	921	*920*	799	*795*
Land and buildings occupied for own activities	1,077	*1,091*	903	*918*

The valuations carried out in 1990 and 1992 as shown above related to UK premises and overseas premises respectively. The accounting policy for valuations is set out on page 16 in accounting policy h.

Notes to the accounts

22 Lease commitments

At 31 December, commitments under non-cancellable operating leases, in respect of payments due to be made in the following year, were:

	1994 Premises £m	1994 Equipment £m	*1993 Premises £m*	*1993 Equipment £m*
Group				
Leases on which the commitment is due to expire in:				
1 year or less	1	3	*2*	*8*
5 years or less but over 1 year	15	17	*10*	*30*
Over 5 years	102	–	*102*	–
	118	20	*114*	*38*
Bank				
Leases on which the commitment is due to expire in:				
1 year or less	–	1	*1*	*6*
5 years or less but over 1 year	7	8	*5*	*23*
Over 5 years	76	–	*77*	–
	83	9	*83*	*29*

At 31 December, obligations under finance leases were:

	1994 Equipment £m	*1993 Equipment £m*
Group		
Amounts payable in:		
1 year or less	–	*42*
5 years or less but over 1 year	1	*2*
	1	*44*
Bank		
Amounts payable in:		
1 year or less	–	*42*
	–	*42*

23 Capital commitments

	Group 1994 £m	*Group 1993 £m*	Bank 1994 £m	*Bank 1993 £m*
Capital expenditure not provided for in these accounts comprises:				
Contracts	19	*15*	10	*9*
Authorised by directors but not contracted	12	*37*	1	*6*

In addition, under the terms of a framework agreement dated 15 July 1994 (as amended) Chambers & Remington Limited (subsequently re-registered as Chambers & Remington Plc), a wholly owned subsidiary of the Bank, offered to acquire the business of Cheltenham & Gloucester Building Society ("the society") for an aggregate consideration payable by the Lloyds Bank Group of £1.8 billion. The Lloyds Bank Group will provide sufficient additional cash resources of up to £25 million to fund a cash payment to qualifying widows and other bereaved joint account holders if proposed legislation is enacted prior to the vesting date – expected to be 1 August 1995. The offer (which the society has indicated its intention to accept) is subject to the completion of a number of conditions, including the approval of the society's members being obtained at a special general meeting proposed to be held on 31 March 1995 and the approval of the Bank's shareholders being obtained at an extraordinary general meeting to be held on 30 March 1995. The offer can be accepted by the society at any time prior to 31 March 1995 and cannot be revoked before that date.

24 Other assets

	Group 1994 £m	*Group 1993 £m*	Bank 1994 £m	*Bank 1993 £m*
Foreign exchange and interest rate contracts	4,358	*3,619*	3,972	*3,331*
Other	277	*394*	171	*209*
	4,635	*4,013*	4,143	*3,540*

25 Long-term assurance business

	1994 £m	*1993 £m*
The value of long-term assurance business attributable to shareholders included in the consolidated balance sheet comprises:		
Net tangible assets of life companies	71	*74*
Surplus retained within the long-term assurance funds	189	*169*
Net worth of life companies	260	*243*
Value of policies in force	791	*754*
	1,051	*997*
The long-term assurance assets attributable to policyholders are:		
Investments	8,442	*8,401*
Value of policies in force	791	*754*
Premises and equipment	23	*26*
Net current liabilities	(48)	*(63)*
	9,208	*9,118*
Long-term assurance business attributable to shareholders	(1,051)	*(997)*
	8,157	*8,121*
Investments shown above comprise:		
Fixed interest securities	1,556	*1,440*
Stocks, shares and unit trusts	5,278	*5,569*
Investment properties	514	*423*
Other properties	23	*22*
Mortgages and loans	78	*93*
Deposits	993	*854*
	8,442	*8,401*

The increase in the value of the long-term assurance business included in the consolidated profit and loss account for the year ended 31 December 1994 amounted to £167 million before tax; £113 million after tax *(1993: £225 million before tax; £152 million after tax)*.

In determining the value of long-term assurance business in force, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned. Gross investment returns assumed vary depending upon the type of asset to which they relate. Profits expected to arise in the future from business currently in force are discounted at 12.5 per cent per annum after provision has been made for tax.

26 Assets and liabilities denominated in foreign currencies

	Group 1994 £m	*Group 1993 £m*	Bank 1994 £m	*Bank 1993 £m*
Assets: denominated in sterling	47,515	*47,668*	45,977	*45,718*
: denominated in currencies other than sterling	25,685	*23,968*	17,231	*17,905*
	73,200	*71,636*	63,208	*63,623*
Liabilities: denominated in sterling	47,581	*47,724*	46,030	*45,717*
: denominated in currencies other than sterling	25,619	*23,912*	17,178	*17,906*
	73,200	*71,636*	63,208	*63,623*

Notes to the accounts

27 Deposits by banks

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Repayable on demand	2,586	*2,142*	2,693	*2,373*
Other deposits by banks with agreed maturity dates or periods of notice by residual maturity repayable:				
3 months or less	8,941	*8,558*	9,603	*9,645*
1 year or less but over 3 months	1,104	*1,713*	1,261	*1,678*
5 years or less but over 1 year	157	*216*	74	*107*
Over 5 years	6	*17*	1	*5*
	12,794	*12,646*	13,632	*13,808*
Included above:				
Due to group undertakings			2,784	*2,758*

28 Customer accounts

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Repayable on demand	22,527	*23,328*	20,358	*21,289*
Other customer accounts with agreed maturity dates or periods of notice by residual maturity repayable:				
3 months or less	13,756	*13,678*	10,039	*10,794*
1 year or less but over 3 months	1,170	*1,107*	799	*487*
5 years or less but over 1 year	432	*219*	614	*523*
Over 5 years	24	*25*	18	*1,256*
	37,909	*38,357*	31,828	*34,349*
Included above:				
Due to group undertakings			978	*2,530*

29 Debt securities in issue

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Bonds and medium-term notes by residual maturity repayable:				
1 year or less	51	*303*	–	–
2 years or less but over 1 year	165	*63*	–	–
5 years or less but over 2 years	75	*216*	–	–
Over 5 years	–	*51*	–	–
	291	*633*	–	–
Other debt securities by residual maturity repayable:				
3 months or less	5,194	*4,226*	3,387	*2,223*
1 year or less but over 3 months	1,627	*2,132*	1,444	*1,961*
5 years or less but over 1 year	222	*291*	221	*285*
	7,043	*6,649*	5,052	*4,469*
	7,334	*7,282*	5,052	*4,469*

30 Other liabilities

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Foreign exchange and interest rate contracts	4,294	*3,491*	3,906	*3,207*
Current tax	335	*232*	225	*146*
Dividends	237	*200*	237	*200*
Other liabilities	483	*703*	95	*233*
	5,349	*4,626*	4,463	*3,786*

31 Deferred tax

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Short-term timing differences	(67)	*(82)*	(40)	*(56)*
Pensions prepayment	53	*45*	53	*45*
Provision for problem country exposure	(156)	*(220)*	(154)	*(219)*
Accelerated depreciation allowances	411	*396*	–	*(6)*
Advance corporation tax recoverable	(46)	*(39)*	(43)	*(36)*
	195	*100*	(184)	*(272)*

Of the £64 million movement in the deferred tax balance relating to provisions for problem country exposure, £83 million relates to provisions released to profit and loss account (note 6) and £19 million to changes in tax allowable provision levels.

	Group £m	Bank £m
At 1 January 1994	100	(272)
Exchange adjustments	(4)	–
Tax provided	105	96
Other movements	(6)	(8)
At 31 December 1994	195	(184)

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Potential tax for which no provision has been made relating to accelerated depreciation allowances on:				
Equipment used in the business	42	*42*	42	*42*
Equipment leased to customers	72	*72*	–	–
	114	*114*	42	*42*

Provision has been made for the liability to tax on overseas earnings which are expected to be remitted to the UK. No provision has been made for the liability to tax which could arise if premises or group undertakings were disposed of at their balance sheet amounts or investments in associated undertakings and trade investments at their valuation. It is expected that the majority of these assets will be retained in the business and that, in view of the substantial number of properties involved and the law relating to rollover relief, the likelihood of any such material tax liability arising is remote; no useful purpose would be served by attempting to quantify it.

32 Other provisions for liabilities and charges

	Pension obligations £m	Other £m	Total £m
Group			
At 1 January 1994	41	149	190
Exchange adjustments	1	(5)	(4)
Provisions applied	(1)	(34)	(35)
Other movements	2	–	2
Charge to profit and loss account	–	9	9
At 31 December 1994	43	119	162
Bank			
At 1 January 1994	–	144	144
Exchange adjustments	–	(5)	(5)
Provisions applied	–	(34)	(34)
Charge to profit and loss account	–	7	7
At 31 December 1994	–	112	112

Notes to the accounts

33 Subordinated liabilities

	1994 £m	*1993 £m*
Undated loan capital:		
*†Primary Capital Undated Floating Rate Notes:		
Series 1 (US$750 million)	479	*507*
Series 2 (US$500 million)	320	*338*
Series 3 (US$600 million)	383	*406*
Group and Bank	1,182	*1,251*
Dated loan capital:		
‡11½% Guaranteed Bonds 1994	–	*14*
*‡Guaranteed Floating Rate Notes 1996 (minimum rate 5%)	80	*120*
*‡Guaranteed Floating Rate Notes 1997 (US$168 million)	107	*151*
10¼% Subordinated Bonds 1998	150	*150*
*Variable Rate Subordinated Notes 1998	160	*200*
*‡Guaranteed Floating Rate Notes 1998 (US$184 million)	118	*155*
11⅜% Subordinated Serial Bonds 1998	80	*100*
9⅝% Subordinated Bonds 2023	200	*200*
✠7⅜% Subordinated Bonds 2004	397	–
✠9½% Subordinated Bonds 2009	99	–
*✠•Subordinated Floating Rate Notes 1999	298	–
Bank	1,689	*1,090*
§Subordinated Fixed Rate Bonds 2003 (NZ$200 million)	82	*76*
Group	1,771	*1,166*
Other subordinated liabilities:		
¶9½% Subordinated Notes 1995 (US$10 million)	6	*20*
Total subordinated liabilities : Group	2,959	*2,437*
: Bank	2,877	*2,361*

These liabilities will, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

*Subject to the minimum rate stated, these notes bear interest at rates fixed periodically in advance based on London Interbank rates.

†In certain circumstances, these notes would acquire the characteristics of preference share capital.

‡Issued by a group undertaking under the Bank's subordinated guarantee and on-lent to the Bank on a subordinated basis.

✠Issued by the Bank during 1994 to finance the general business of the Group including the maintenance of prudent capital ratios in the event of the proposed acquisition of the business of Cheltenham & Gloucester Building Society proceeding.

§These bonds bear interest, to be reset in 1998, at a fixed margin over New Zealand Government stocks.

¶Issued by the Bank through its Brazilian branch on a subordinated basis. These notes do not qualify as dated loan capital under Bank of England definitions.

•Exchangeable at the election of the Bank for Subordinated Floating Rate Notes 2009.

The total dated subordinated liabilities of the Group are repayable as follows:

	1994 £m	*1993 £m*
1 year or less	172	*195*
2 years or less but over 1 year	166	*176*
5 years or less but over 2 years	661	*615*
Over 5 years	778	*200*
	1,777	*1,186*

34 Called-up share capital

	1994 £m	*1993 £m*
Authorised: ordinary shares of £1 each*	1,650	*1,650*
Issued and fully paid: ordinary shares of £1 each		
At 1 January	1,284	*1,270*
Issued under employees' share schemes	10	*10*
Issued instead of cash dividends	3	*4*
At 31 December	1,297	*1,284*

*Includes one cumulative floating rate preference share of £1.

Under the staff savings-related share option scheme and the senior executives' share option schemes, options may be granted enabling members of staff to subscribe for ordinary shares. At 31 December 1994, options exercisable between 1995 and 2004 at prices ranging from 192p to 545p per share were outstanding in respect of 50 million shares.

35 Reserves

	Group £m	Bank £m	Associated undertakings £m
Share premium account:			
At 1 January 1994	32	32	–
Premium arising on issue of shares	24	24	–
Shares issued instead of cash dividends	(3)	(3)	–
At 31 December 1994	53	53	–
Revaluation reserve:			
At 1 January 1994	–	1,036	–
Increase in net tangible assets of subsidiary and associated undertakings	–	145	–
Transfer from (to) profit and loss account	59	(89)	–
At 31 December 1994	59	1,092	–
Profit and loss account:			
At 1 January 1994	1,747	711	137
Exchange adjustments	78	25	19
Discount on acquisition	6	–	–
Shares issued instead of cash dividends	17	17	–
Sale of shares in associated undertaking	–	–	(32)
Transfer (to) from revaluation reserve	(59)	89	(59)
Transfer from (to) profit and loss account	463	377	(26)
At 31 December 1994	2,252	1,219	39

The Group profit and loss account reserves at 31 December include £298 million *(1993: £261 million)* not presently available for distribution representing the Group's share of the value of long-term assurance business in force and the surplus retained within the long-term assurance funds.

The cumulative amount of premiums on acquisitions written off against profit and loss account reserves during the current and previous years amounted to £156 million of which £81 million has been written off over the last 10 years.

Notes to the accounts

36 Directors' interests

The interests, all beneficial, of those who were directors at 31 December 1994 in shares in the Bank and its subsidiaries were:

Shares:

	Lloyds Bank Plc		Lloyds Abbey Life Plc	
	At 31 December 1994	*At 1 January 1994 or later date of appointment*	At 31 December 1994	*At 1 January 1994 or later date of appointment*
P G Brown	35,357	*32,696*		
J T Davies	92,103	*89,833*		
Sir Richard Greenbury	262	*253*		
Sir Simon Hornby	1,500	*1,500*	1,000	*1,000*
Sir Robin Ibbs	7,508	*6,174*		
S A Maran	34,266	*34,266*	4,334	*1,500*
A E Moore	131,928	*130,594*		
P C Nicholson	1,000	*1,000*		
D B Pirrie	27,557	*25,213*		
Sir Brian Pitman	490,435	*487,523*		
Lord Plumb	1,893	*1,822*		
Sir Ian Prosser	1,573	*1,573*		
Sir Michael Quinlan	1,076	*1,036*		
J M Raisman	10,218	*10,082*		
The Earl of Selborne	1,000	*1,000*		
C R Smith	13,820	*13,820*		
Eric Swainson	1,128	*1,086*		
M H R Thompson	252,977	*251,551*		

Sir Simon Hornby also had a non-beneficial interest in 7,000 shares in the Bank at the beginning and end of the year.

Options to subscribe for shares:

	At 1 January 1994 or later date of appointment	Granted during the year	Exercised during the year	At 31 December 1994	Subscription price for options granted during the year	Subscription price for options exercised during the year	Market price at date of exercise	Weighted average subscription price for options outstanding at 31 December 1994
Lloyds Bank Plc:								
P G Brown	*170,926*	451		191,377	458p			391p
		20,000			545p			
J T Davies	*205,518*		837	204,681		215p	566p	323p
A E Moore	*197,611*	451		249,862	458p			387p
		51,800			545p			
D B Pirrie	*225,030*	451		245,481	458p			340p
		20,000			545p			
Sir Brian Pitman	*385,739*	451		443,645	458p			392p
		57,455			545p			
M H R Thompson	*1,953*			1,953				215p

Options outstanding are exercisable between 1995 and 2004.
The market price for a share in the Bank at the end of the year was 552p and the range during the year was 519p to 660p.

	At 1 January 1994 or later date of appointment	Granted during the year	Exercised during the year	At 31 December 1994	Subscription price for options granted during the year	Subscription price for options exercised during the year	Market price at date of exercise	Weighted average subscription price for options outstanding at 31 December 1994
Lloyds Abbey Life Plc:								
S A Maran	*255,279*	2,262	2,834	134,523	305p	254p	365p	291p
				120,184*				397p

*The subscription prices for these options to subscribe for shares in Lloyds Abbey Life Plc were above the market price at the end of the year.
Options outstanding are exercisable between 1995 and 2003.
The market price for a share in Lloyds Abbey Life Plc at the end of the year was 330p and the range during the year was 313p to 471p.

None of the other directors at 31 December 1994 had options to subscribe for shares in the Bank or its subsidiaries and no director had an interest in the loan capital of the Bank or its subsidiaries.

The register of directors' interests, which is open to inspection, contains full particulars of directors' shareholdings and options to subscribe for shares in Lloyds Bank Plc and Lloyds Abbey Life Plc.

There were no changes in these interests between 31 December 1994 and 9 February 1995.

Notes to the accounts

37 Directors' emoluments

	1994 £000	*1993 £000*
Fees	312	*266*
Performance-related payments	446	*340*
Other emoluments	2,289	*1,788*
Employer's pension scheme contributions	197	*118*
	3,244	*2,512*
Pensions paid to past directors and their dependants	98	*100*
	3,342	*2,612*

One director *(1993: one)* waived rights to receive emoluments of £3,750 in 1994 *(1993: £7,500)*.

Performance-related payments, based on improvement in earnings per ordinary share and the achievement of other predetermined targets, were made by the Bank in March 1994 and related to the performance of the Bank and the directors concerned during 1993 *(amounts paid in 1993 related to 1992 performance)*. At the date of approval of the accounts, it was not possible to determine the extent to which targets for 1994 had been achieved by these directors. Any amounts to be paid by the Bank for 1994 performance will, therefore, be disclosed in the next accounts.

The emoluments of the Chairman were £292,934 *(1993: from 5 February, £223,326: previous Chairman until 5 February, £30,696, excluding employer's pension scheme contributions of £22,967)* and did not include any employer's pension scheme contributions or performance-related payment.

The emoluments, excluding employer's pension scheme contributions of £19,500 *(1993: £15,000)*, of the highest paid director were £571,383 *(1993: £446,513)*. These included a performance-related payment of £150,000 *(1993: £125,000)*.

The following table shows the number of directors whose emoluments, excluding employer's pension scheme contributions, fell within the bands stated:

Emoluments £	No. of directors 1994	*1993*	Emoluments £	No. of directors 1994	*1993*
Up to 5,000	–	*1*	175,001 to 180,000	1	–
10,001 to 15,000	–	*1*	190,001 to 195,000	–	*1*
15,001 to 20,000	–	*2*	200,001 to 205,000	–	*1*
20,001 to 25,000	3	*3*	225,001 to 230,000	1	–
25,001 to 30,000	3	*1*	230,001 to 235,000	–	*1*
30,001 to 35,000	1	*1*	235,001 to 240,000	–	*1*
35,001 to 40,000	–	*1*	245,001 to 250,000	–	*1*
40,001 to 45,000	1	–	260,001 to 265,000	1	–
65,001 to 70,000	–	*1*	290,001 to 295,000	2	*1*
75,001 to 80,000	1	–	295,001 to 300,000	1	–
95,001 to 100,000	–	*1*	340,001 to 345,000	1	–
110,001 to 115,000	1	–	445,001 to 450,000	–	*1*
150,001 to 155,000	–	*1*	570,001 to 575,000	1	–
170,001 to 175,000	1	–			

38 Transactions, arrangements and agreements involving directors and others

At 31 December 1994, transactions, arrangements and agreements entered into by the Bank or its subsidiaries with directors and connected persons and with officers of the Bank included:

	Number of persons	Total £000
Loans and credit card transactions:		
Directors and connected persons	22	342
Officers	21	1,173

39 Off-balance sheet instruments and other commitments and contingent liabilities

Lloyds Bank enters into various transactions during the course of its business involving acceptances, endorsements, guarantees, performance bonds and similar arrangements. In addition various transactions are undertaken involving off-balance sheet financial instruments. The amounts shown below are intended to provide an indication of the volume of business transacted and do not necessarily represent the underlying credit or other risks.

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
Contingent liabilities:				
Acceptances and endorsements	594	*650*	437	*516*
Guarantees	1,762	*1,686*	2,805	*2,832*
Other:				
Other items serving as direct credit substitutes	535	*316*	162	*140*
Performance bonds and other transaction-related contingencies	653	*877*	540	*643*
Other contingent liabilities	172	*160*	162	*153*
	1,360	*1,353*	864	*936*
	3,716	*3,689*	4,106	*4,284*
Commitments:				
Documentary credits and other short-term trade-related transactions	441	*385*	363	*300*
Forward asset purchases and forward forward deposits placed	800	*596*	409	*335*
Undrawn note issuing and revolving underwriting facilities	78	*81*	12	*40*
Undrawn formal standby facilities, credit lines and other commitments to lend:				
Less than 1 year maturity	10,555	*10,256*	9,054	*8,515*
1 year or over maturity	3,821	*3,401*	3,660	*3,177*
Other commitments	131	*124*	131	*124*
	15,826	*14,843*	13,629	*12,491*
Incurred on behalf of group undertakings:				
Contingent liabilities			1,493	*1,259*
Commitments			128	*221*
			1,621	*1,480*

The underlying principal amount of forward exchange rate and interest rate contracts, the risk weighted amount calculated according to Bank of England principles and the replacement cost obtained by marking to market contracts and aggregating those with a positive value where counterparty failure would result in a loss are:

	Group 1994 £m	Group *1993 £m*	Bank 1994 £m	Bank *1993 £m*
*Exchange rate contracts:**				
Underlying principal amount	182,291	*140,233*	171,185	*126,148*
Risk weighted amount	1,025	*754*	889	*635*
Replacement cost	2,615	*1,632*	2,367	*1,500*
*Interest rate contracts:**				
Underlying principal amount	556,301	*327,272*	547,992	*321,954*
Risk weighted amount	687	*569*	647	*523*
Replacement cost	2,307	*1,989*	2,228	*1,934*

*Including exchange traded contracts.

Exchange rate and interest rate contracts are entered into for hedging and dealing purposes.

Notes to the accounts

40 Consolidated cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities

	1994 £m	*1993 £m*
Operating profit	1,276	*1,005*
(Increase) decrease in prepayments and accrued income	(161)	*122*
(Decrease) increase in accruals and deferred income	(119)	*24*
Provisions for bad and doubtful debts	135	*503*
Net advances written off	(447)	*(553)*
Amounts written off fixed asset investments	2	*–*
Increase in value of long-term assurance business	(167)	*(225)*
Transfer from life fund	60	*74*
Interest on subordinated liabilities (loan capital)	178	*133*
Loss on disposal of tangible fixed assets	2	*7*
Interest element of finance lease rental payments	2	*6*
Depreciation	185	*147*
Other non-cash movements	(65)	*(21)*
Net cash flow from trading activities	881	*1,222*
Net decrease (increase) in loans and advances	2,016	*(2,856)*
Net increase in investments other than investment securities	(1,657)	*(1,935)*
Net (increase) decrease in other assets	(552)	*1,100*
Net (decrease) increase in deposits by banks	(93)	*6,149*
Net (decrease) increase in customer accounts	(714)	*28*
Net (decrease) increase in debt securities in issue	(84)	*1,865*
Net increase (decrease) in other liabilities	459	*(1,192)*
Net decrease (increase) in items in course of collection/transmission	523	*(446)*
Other non-cash movements	(49)	*(74)*
Net cash inflow from operating activities	730	*3,861*

b Analysis of cash and cash equivalents as shown in the balance sheet

	1994 £m	*1993 £m*
Cash and balances with central banks	439	*431*
Treasury and other eligible bills	1,820	*2,512*
Loans and advances to banks	7,241	*6,874*
Debt securities	747	*753*
	10,247	*10,570*

The Group is required to maintain balances with the Bank of England which, at 31 December 1994, amounted to £106 million *(1993: £104 million)*.

c Analysis of changes in cash and cash equivalents during the year

	1994 £m	*1993 £m*
At 1 January	10,570	*7,565*
Net cash (outflow) inflow before adjustments for the effect of foreign exchange rate changes	(391)	*3,048*
Effect of foreign exchange rate changes	68	*(43)*
At 31 December	10,247	*10,570*

d Analysis of changes in financing during the year

	Share capital (including premium) 1994 £m	*1993 £m*
At 1 January	1,316	*1,288*
Cash inflow from financing	34	*28*
At 31 December	1,350	*1,316*

d Analysis of changes in financing during the year (continued)

	Subordinated liabilities and finance leases 1994 £m	*1993 £m*
At 1 January	2,480	*2,379*
Effect of foreign exchange rate changes	(80)	*47*
Cash inflow from financing	603	*95*
Additions of finance leases	–	*–*
Capital repayments	(43)	*(41)*
At 31 December	2,960	*2,480*

e Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a group undertaking

	1994 £m	*1993 £m*
Cash consideration paid	–	*(27)*
Cash and cash equivalents acquired	–	*–*
Net outflow of cash and cash equivalents	–	*(27)*

f Acquisition of group undertaking

	1994 £m	*1993 £m*
Net assets acquired:		
Cash and cash equivalents	–	*–*
Loans and advances	–	*(984)*
Other monetary assets	–	*(37)*
Tangible fixed assets	–	*(7)*
Deposits by banks, customer accounts and other liabilities	–	*984*
	–	*(44)*
Discount arising on consolidation	–	*17*
	–	*(27)*
Satisfied by:		
Cash: deferred	–	*–*
: paid	–	*(27)*
	–	*(27)*

g Net cash flow attributable to shareholders and minorities

	1994 £m	*1993 £m*
Net cash inflow (outflow) from:		
Trading activities (note 40a)	881	*1,222*
Returns on investments and servicing of finance	(468)	*(385)*
Total tax	(167)	*(48)*
Investing activities*	(97)	*(200)*
Issue of ordinary share capital	34	*28*
Capital element of finance lease rental payments	(43)	*(41)*
	140	*576*

*Net cash outflow attributable to shareholders from investing activities excludes that relating to net interest-earning assets in respect of the acquisition of a group undertaking and to the addition of investment securities.

Auditors' report

Corporate governance

The board has reviewed the code of best practice published in December 1992 by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee). The Bank has complied with the relevant provisions of the code throughout the year.

Statement of directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and the Group as at the end of the year and of the profit or loss for the year. Following discussions with the auditors, the directors consider that in preparing the financial statements on pages 11 to 30, the Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed.

The directors have responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement of going concern

The directors are satisfied that the Bank and the Group have adequate resources to continue to operate for the foreseeable future and are financially sound. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Auditors' report

To the members of Lloyds Bank Plc.

We have audited the financial statements on pages 11 to 30 which have been prepared under the historical cost convention as modified by the revaluation of investments and premises and the accounting policies set out on pages 16 and 17.

Respective responsibilities of directors and auditors

As described on this page the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1994 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.

Price Waterhouse
Chartered Accountants and Registered Auditors
London

Price Waterhouse

9 February 1995

Ten year financial summary

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Results £m										
Profit (loss) on ordinary activities before tax	668	732	(248)	952	(715)	722	670	801	1,031	1,304
Profit (loss) on ordinary activities after tax	411	501	(224)	618	(499)	497	474	521	694	879
Profit (loss) attributable to shareholders	410	497	(227)	615	(586)	410	390	441	605	797
Profit retained (loss)	335	400	(334)	478	(749)	220	181	208	321	463
Share information										
Earnings (loss) per share	34.3p	41.5p	(18.7p)	50.5p	(47.8p)	33.2p	31.3p	35.0p	47.4p	61.7p
Dividends per share:										
Net	6.2p	8.0p	8.8p	11.2p	13.3p	15.3p	16.7p	18.4p	22.1p	25.8p
Gross equivalent	8.9p	11.3p	11.9p	14.9p	17.7p	20.4p	22.3p	23.5p	27.6p	32.3p
Dividend cover (times)	5.5	5.1	–	4.5	–	2.2	1.9	1.9	2.1	2.4
Market price (year-end)	145p	198p	163p	216p	303p	296p	392p	533p	659p	552p
Net assets per share	193p	227p	197p	236p	192p	183p	197p	212p	239p	282p
Shareholders	75,666	78,947	93,040	96,966	97,388	100,252	102,412	108,390	114,950	122,657
Average shares in issue (m)	1,195	1,199	1,211	1,217	1,227	1,236	1,247	1,261	1,277	1,291
Performance measures										
Post-tax return on average shareholders' equity	18.8%	19.7%	(8.7%)	23.5%	(20.4%)	17.7%	16.4%	17.1%	21.0%	23.7%
Post-tax return on average assets*	0.96%	1.08%	(0.48%)	1.27%	(0.87%)	0.88%	0.88%	0.87%	1.03%	1.20%
Balance sheet £m										
Shareholders' equity	2,302	2,746	2,391	2,875	2,365	2,271	2,476	2,696	3,063	3,661
Minority interests	16	9	2	367	422	456	498	535	542	567
Subordinated liabilities (loan capital)	1,611	1,745	1,459	2,090	2,233	1,915	1,946	2,295	2,437	2,959
Total capital resources	3,923	4,463	3,826	5,301	5,012	4,642	4,920	5,526	6,042	7,187
Assets*	43,808	47,829	44,910	51,834	57,542	55,202	51,306	62,937	71,636	73,200
Capital ratios										
Shareholders' equity to assets*	5.3%	5.7%	5.3%	5.6%	4.1%	4.1%	4.8%	4.3%	4.3%	5.0%
Risk asset ratios:										
Total capital	**	10.7%	9.1%	10.1%	7.4%	8.5%	9.7%	9.8%	10.6%	12.8%
Tier 1 capital	**	5.7%	4.8%	5.6%	4.4%	5.2%	6.2%	6.0%	6.6%	7.8%
Other statistics										
US dollar exchange rate (year-end)	1.4390	1.4743	1.8850	1.8105	1.6135	1.9285	1.8670	1.5150	1.4795	1.5645
Average UK base rate	12.2%	10.9%	9.7%	10.1%	13.9%	14.8%	11.7%	9.6%	6.0%	5.5%
Average UK rate of inflation	6.1%	3.4%	4.1%	4.9%	7.8%	9.5%	5.9%	3.7%	1.6%	2.5%

**Assets exclude long-term assurance assets attributable to policyholders.*
***Risk asset ratios not calculated before 1986.*

Notes
1 Share information has been restated for capitalisation issues.
2 From 1992, certain assets and liabilities which were previously netted in the balance sheet are included as separate assets and liabilities. Prior years have not been restated as the information is not available.