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The Co-operative Bank p.l.c.

These days, it's becoming fashionable for commercial organisations to talk about their *values*. But, in many cases, a newly discovered sense of social responsibility invites a somewhat sceptical response. The Co-operative Bank's values are of a different kind altogether. ~ Far from being grafted onto our corporate culture, they are at its very root. Our most basic values have been handed down to us directly from the founding fathers of the Co-operative Movement, the Rochdale Pioneers – who, in turn, had been inspired by the visionary social reformer, Robert Owen. ~ But can values forged in a bygone age really remain relevant in our fast changing times? ~ They most certainly can. Today, ours are clearly reflected in everything we do, from encouraging our staff to involve themselves in their local community to offering our customers the convenience of 24 hour banking. ~ Indeed it was, above all, our traditional values that enabled us to make 1994, the 150th anniversary of the Rochdale Pioneers, the most successful year in the history of The Co-operative Bank.



1994 was a highly successful year for The Co-operative Bank; a year in which our

concerted efforts to distinguish the Bank from its competitors, our continued investment in improving customer service, and the hard work of our staff all paid handsome dividends.



The domestic business climate has yet to reflect the encouraging economic statistics which indicate that the UK has emerged from recession and is experiencing steady growth without serious risk of sustained inflation. Although economic growth during 1994 mainly arose from higher exports, the government tax and interest rate policy served to suppress domestic demand and consumer confidence. Base Rate was cut to the lowest level for many years in February 1994 only to be increased in the following September, November and February. The uncertain interest rate environment coupled with increased competition and suppressed domestic demand resulted in a difficult retail banking market.

It is particularly pleasing therefore to report 1994 Group profits before tax of £27.5 million, up £9.7 million or 55% over 1993. This result has been achieved through an increase in profit before bad debt provisions and continued year on year reduction in bad debt charge. The growth in both personal and corporate business has underpinned the continued and substantial increase in retail deposits. Whereas new high quality corporate lending has largely offset the steady reduction in borrowing by existing customers as their fortunes improved throughout the year.

The 1994 results reflect a continued year on year improvement in profitability since the worst of the recession in 1990 and 1991 and are in

fact an all time record for the banking group. As a consequence the Board was in a position to increase the dividend to the parent company by 20% up to £3 million. This left £9.2 million to be added to shareholders funds.

It has become a cliché for organisations to claim that their people are their most valuable asset; but at The Co-operative Bank it is no more than the simple truth. Difficult decisions made in the depths of the recession have resulted in major reorganisation within many areas of our business. Our staff, at every level, have shown remarkable resilience and adaptability in coping with change. Our success in 1994 was due, in the largest possible measure, to their outstanding enthusiasm, dedication and hard work. Above all, it was a tribute to teamwork.

In recognition of their dedication and loyalty, the substantially improved level of profitability and our confidence that our business will continue to grow in 1995 and subsequent years, the Executive have been authorised to offer clerical staff a firm two year commitment of no compulsory redundancies as part of the salary negotiations for 1995.



The Chairman
Tom Agar

ROBERT OWEN

1771-1858

ON SATURDAY 28 MAY 1994, A STATUE OF ROBERT OWEN - THE ACKNOWLEDGED FATHER OF CO-OPERATION - WAS UNVEILED OUTSIDE OUR HEAD OFFICE IN MANCHESTER.

Born in Newtown in Wales in 1771, Owen was the son of a prosperous local tradesman, and by the age of 20 he had himself embarked on a successful career as a manager in the newly automated cotton mills of Britain's first factory town, Manchester.

BUT DURING THIS PERIOD, APPALLED BY THE CONDITIONS ENDURED BY THE WORKFORCE, HE BEGAN TO FORMULATE HIS VIEW OF A BETTER, MORE HUMANITARIAN AND MORE EFFICIENT WORKING COMMUNITY; A VISION WHICH HE LATER MADE A REALITY IN HIS 'UTOPIAN COMMUNITY' IN NEW LANARK, NEAR GLASGOW.

Throughout the rest of his long life, Owen wrote widely, expounding his ideas on how a new social and moral order could be established - the most basic of which was that employers owed a responsibility not only to their shareholders, but also to employees and their families, customers, suppliers and the community at large.

HIS WRITING, SPEECHES AND EXPERIENCE AS A MILL MANAGER AND THEN A MILL OWNER PROVIDED THE BLUEPRINT FROM WHICH THE ROCHDALE PIONEERS, AND SUCCEEDING GENERATIONS, WOULD BUILD TODAY'S WORLDWIDE CO-OPERATIVE MOVEMENT.



In 1994, the Bank generated the highest level of pre-tax profit in its long history and continued to strengthen its robust balance sheet. Pre-tax profits of £27.5 million were 55% higher than for the prior year,

producing earnings attributable to shareholders of £17.8 million, an increase of 62%. The Bank has also continued to enhance customer service and develop its distinctive presence in the UK retail banking market.

It is occasionally suggested that some elements of the banking industry improve their profitability by exploiting customers. This is simply untrue as far as The Co-operative Bank is concerned. It would be contrary to the Bank's heritage, public commitment and the actions it has taken to continually innovate and improve customer service. The Bank's record profits in 1994 arose from a combination of increased market share, higher income and lower bad debts.

Operating income of £238 million increased by £10.5 million (5%) in 1994 due to higher net interest income which increased by £9.1 million, and by non-interest income which was slightly higher than last year by £1.4 million.

The Bank's overall net interest margin and spread was slightly lower than the prior year by 0.1%. Net interest spread is the difference between the rate charged for loans and the rate paid on deposits. In order to strengthen the Bank's competitive

stance, the spread on retail savings and loans was reduced, reflecting tighter pricing of Visa and loans to personal and business customers. This reduction in net interest income was more than offset by increased revenue from the consistent growth in retail balances, particularly deposits and current accounts. Despite difficult market conditions, income from Treasury activities increased significantly. As a result, net interest income rose by 7% to £139 million in 1994, representing 58% of the Bank's total operating income.

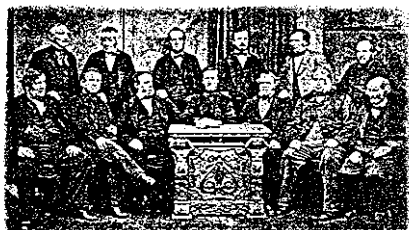
Non-interest income of £99 million was £1.4 million higher than the prior year. Steady growth in retail service commission and significant increases in Visa revenue were partly offset by lower insurance commission and other income.

Despite competition from new entrants in the market, Visa transaction volumes reached record levels, led by growth in the innovative 'Free for Life' Gold Card. As a result, Visa commission income increased by 25%. Visa remains a successful core product of the Bank.



The Bank's Executive Directors: from left to right, Ken Lewis, Michael Woodward, John Harper and Mick Firth, with Managing Director Terry Thomas seated centre.

The ROCHDALE pioneers.



IN 1844, HAVING SCRAPED TOGETHER A MEAGRE CAPITAL OF £28, A GROUP OF 28 WORKING MEN OPENED A SMALL GROCER'S SHOP IN TOAD LANE, ROCHDALE.

Their immediate aim was to provide their local community with a source of pure, unadulterated goods at fair prices; but, over and above that, their guiding principle was that the co-operative should exist for the benefit of the people it served, sharing its profits among them in proportion to their purchases.

SO THE CO-OP 'DIVI' WAS BORN; AND, AS ONE OF THE FIRST SUCCESSFUL RETAIL CO-OPERATIVE SOCIETIES, THE SHOP IN TOAD LANE SET A PATTERN THAT WOULD BENEFIT MILLIONS OF PEOPLE THROUGHOUT THE WORLD IN BOTH CONSUMER AND PRODUCER CO-OPERATIVES, OVER THE NEXT CENTURY AND A HALF.

In 1994, the net commission income from other retail customer services increased by 5% to £63 million, reflecting steady volume growth. During the year a new lower tariff was introduced for personal customers who wished to borrow. It was more straightforward and enabled customers to better understand their charges. The well-established telephone banking service, Armchair Banking, allows customers to manage their accounts and arrange new borrowing requirements with the minimum of delay thus avoiding unauthorised overdrafts and related charges. Clearly, an unambiguous tariff and improved customer communications are in the best interests of both the Bank and its customers.

Insurance commissions were lower than the prior year, consistent with the overall decline in the UK market during 1994. Although the industry anticipates making substantial compensation payments to customers who have purchased pensions, the Bank has re-assessed its customer contracts and is satisfied that it has consistently given good advice.

Dealing profits of £1.2 million were £1.6 million lower than last year. They reflect the gains/losses on the sale of securities and Foreign Exchange as defined by the reporting regulations. However, the majority of the Bank's dealing activities are in the Sterling money markets and the revenue is included in net interest income. In 1994, Treasury dealing activities contributed significant

profits and return on capital despite the difficult market conditions.

As a result of the expansion in the investment portfolios, lower yielding bonds were sold which were not included in the designated investment portfolios. They realised a loss of £3 million which was charged against profits. Gains and losses arising from trading within the investment portfolios are suspended and amortised over the future life of the portfolios, thus complementing future net interest income. At the year end, profits of £10 million had been realised but not yet taken into the Profit and Loss Account.

Although even more stringent bad debt provisioning policies were introduced in 1994, bad debt provisions continued to decline reflecting an improvement in the quality of both corporate and personal loan portfolios. As a result, provisions charged of £32 million were £6.5 million lower than last year. In recent years, credit cycle management has been consistently developed, grading and enhanced credit scoring systems have become well established business management tools, and in 1994 routine monthly provisions were consistently lower than the prior year. Throughout the banking industry, the level of bad debts has always been influenced by the state of the economy. They increase during periods of recession and decline during the boom years. Although the UK economy is in its recovery phase the future is always uncertain and the opportunity has been taken to tighten

the provisioning policy. In the short-term, this will further facilitate the realisation of problem loans and increase the prospect of a write-back of prior provisions as the economy continues to improve.

Expenses increased by £6.4 million (3.7%) to £179 million in 1994 but include £4.8 million of one-off severance costs. Marketing and development expenditure was increased as the Bank continued to improve the range and quality of its customer service. Developments are underway to re-design and restructure the Bank's distribution systems to complement centralised account administration and the established telephone banking service, Armchair Banking, which is the largest in the UK. The new Bankpoint outlets range from unmanned, 24-hour, automated facilities with video links to Armchair Banking, to full service branches which provide personal consultation and counter services in a modern designed environment. Expenditure was also increased on programmes to progressively differentiate the Bank from its competitors and to reinforce empathy with its customers. The Bank's ethical stance has been the linchpin of these programmes, coupled with product innovation and continual improvement in customer service. The growth in retail deposits and increase in the numbers of new accounts opened during the year, doubtless reflect the success of these programmes and augers well for higher income in the future.



Bankpoint video link to our Armchair Banking service.



The sweet smell of success: during 1994 we were delighted to acquire the business of Fragrance Oils plc, manufacturers of fragrances and essences.

Two new initiatives were introduced in March and October 1994. In March the Customers Who Care scheme was announced. A proportion of income generated by customers using their Visa cards is being donated to charities chosen by the customers themselves, thus reinforcing the rapport between the Bank and its valued customers. During 1994, the scheme donated over £380,000 to international, national and local charities. Overall, the total contributions made by the Bank to national charities and local socially desirable projects exceeded £1 million during 1994.

The banking industry has been publicly criticised during the year for the quality of customer service. In October, this Bank made specific service commitments to its personal customers and undertook to pay them £10 every time it made an error. No other bank has made such a commitment. The results have confirmed the Bank's self-confidence as an error rate of only one error in every 254,000 transactions has arisen.

The financial stability of the balance sheet has been further improved in 1994. Liquidity has been further strengthened by growth in retail savings balances and by the substantial increase in the size of the investment portfolios. The average retail savings balances of £1.5 billion grew by 19% year-on-year. In contrast, average retail lending increased by 3%, mainly reflecting subdued customer demand, highly

selective increases in new corporate lending and the steady expansion of Visa. As a result, the Bank has maintained a well proportioned balance sheet of wholesale and retail activities. Retail assets represent 47% of average total assets and retail deposits 49% of the total liabilities. Within the retail sector, corporate loans represent 59% and personal lending 41% of average retail lending. Corporate deposits have grown substantially during 1994 representing 49% of retail deposits with personal deposit balances representing 51%. The Risk Asset Ratio remained a robust 11.7% overall with a Tier I ratio of 7.7%.

The Co-operative Bank remains a UK retail clearing bank with its offshore business restricted to Sterling deposits collected through its Guernsey branch. Activity in futures and derivative markets is, in the main, focused on hedging the Bank's or its corporate customers' interest or Foreign Exchange risks and even then only with high quality counterparties.

Although competition will intensify and the business climate remains uncertain, the Bank has clearly established a firm position in its chosen markets. It is well placed to benefit from further economic improvement and to capture market share as a result of its ongoing development programmes, market leadership in customer availability, convenience, range and quality of services.

As you have read, 1994 was a highly successful year for The Co-operative Bank; a year in which we made major advances in many areas, establishing an even stronger base for continued growth in the future.

There were very many contributory factors, and the following pages contain a brief review of some of the more important ones.

Without doubt, our Ethical Policy played a crucial part in alerting Personal and Corporate customers to the Bank and its values. But, in most cases, what enabled us to secure their business was our outstandingly competitive product range and our determination to find new ways of improving the quality of our service.

Free banking, first introduced by The Co-operative Bank in 1974, entered its 21st year; and to mark this coming of age we introduced a new current account tariff under which even fewer personal customers now pay any item charges.

By replacing charges for unauthorised borrowing (frequently a cause of resentment) with a clearly stated up-front service charge, we significantly reduced the number of customers who were required to pay bank charges.

Another innovation in 1994 was our Customers Who Care scheme, which offered our Visa cardholders the opportunity to support some very worthy causes without it costing them a penny. Under this scheme a

percentage of the total turnover on all the Bank's Visa credit cards is donated to charities each quarter, with cardholders themselves voting on how much each should receive.

The response was even better than we hoped, with turnover on all our Visa cards rising by over 10%; with the result that, by the end of the year, over £380,000 had been shared between a number of charities, including Save the Children, the Royal National Institute for the Blind, the NSPCC and Tuskforce.

At the same time, we strengthened our position as one of the UK's biggest affinity card issuers, and were particularly proud that Oxfam decided to transfer their Visa card to The Co-operative Bank in September. We were also delighted to launch another new affinity card on behalf of Feed The Children, and we hope this will raise large sums for the charity's life-saving work in places such as Bosnia and Rwanda.

Another key area in which the Bank continued to set the pace was in harnessing new technology to offer our customers more convenient ways of running their accounts.

Armchair Banking, already the most widely used service of its kind in the UK, received nearly 4½ million calls in 1994, as more customers



An award-winning customer: Farebrother PLC Managing Director John Steward (centre) seen receiving the Contractor of the Year Award at the Grosvenor House Hotel in London.

discovered they could take care of all their routine banking business in the comfort of their own home, or workplace.

But, in terms of our commitment to providing our customers with the industry's most modern distribution network, the most significant step forward was the official launch, in May, of Britain's first fully automated, unstaffed bank outlet.

The Bankpoint kiosk, successfully piloted in 1993, enables customers to attend to all their banking needs whenever it suits them. Open 24 hours a day, 365 days a year, it provides access to not only a cash machine and automatic deposit machine, but also a free direct telephone link with our Armchair Banking service.

In short, Bankpoint kiosks confirm our position at the very forefront of new self-service banking technology. With 17 outlets already open in different parts of the country, we are pleased to say they are proving highly popular among our customers. (As, too, is the Bankpoint shop; in effect, a fully staffed 'mini-branch' with a 24-hour lobby offering the same automated services as a Bankpoint kiosk.)

Without doubt, however, one of our most important personal sector innovations in 1994 was not based on high technology, but printed on a simple piece of paper. We took the unprecedented step, for a bank, of publishing Customer Service Guarantees.

These take the form of a firm

promise to maintain the basic standards of efficient, error-free service our customers expect, in five key areas, from opening a current account to processing a personal loan.

If we fail to live up to these standards at any time, we will say sorry, put the problem right and pay the customer £10 for their trouble.

Needless to say, in offering a guarantee, we are not claiming to be perfect, but we are totally confident of our ability to maintain the very highest standards of customer service. And with good reason, it seems: throughout 1994, independent surveys consistently showed The Co-operative Bank to have more satisfied customers than any other clearing bank.

While on the subject of customer satisfaction, it is also well worth mentioning the important role played by In Touch, our regular newsletter for personal customers. As well as keeping them informed about developments in the Bank, it has been highly successful in stimulating a genuine dialogue, providing us with valuable insights into our customers' opinions and attitudes, and enabling us to respond accordingly.

And the success of In Touch was complemented, in 1994, by the launch of Business Advantage. Circulated free to all our business customers, this quarterly newsletter enabled us to provide regular updates on all the Bank's relevant products and services,



McMillan Close, a development of 16 houses by Gravesend Churches Housing Association. Having supported this development, we have provided funds for two more similar projects.



In 1994 we were pleased to help a growing business in South Wales, Pyramid Post Production, who specialise in editing television programmes.

as well as valuable news and analysis covering a wide range of business-related topics, from EC funding sources to environmental matters.

Through Co-operative Bank Financial Advisers Limited (CBFA), members of FIMBRA, we continued to offer an increasing number of our customers high quality independent financial advice. CBFA were particularly proud to be appointed as the exclusive insurance brokerage for the British Diabetic Association; responsible for the launch, in October, of BDA Insurance Services. Comprising motor, life and travel insurance, this service will help put an end to the discrimination people with diabetes often experience when buying insurance.

Our roots in the Co-operative Movement have always given us

a special empathy with charities and voluntary organisations; and we have continued to go from strength to strength in this sector. Among new customers, whose banking needs we now meet fully or in part, are Amnesty International, Friends of the Earth, Greenpeace, Christian Aid, Survival International, RSPB, Mines Advisory Group, Mantrans, Turning Point, National Childrens'

Centre and National Food Alliance.

Undoubtedly, our highly successful Customers Who Care scheme did much

"Co-operative Bank RSPB Visa cardholders have raised over £1.5 million in support of our vital bird and wildlife conservation work. We greatly appreciate it. Thank you very much".
Barbara Young,
Chief Executive.



In 1994, we were delighted to launch new affinity Visa cards for both Oxfam and Feed The Children

Worldwide Co-OPERATION

WHAT BEGAN IN ROCHDALE NOW BELONGS TO A VERY MUCH WIDER COMMUNITY: CO-OPERATIVES ARE TO BE FOUND TODAY IN ALMOST EVERY COUNTRY IN THE WORLD, RANGING FROM SMALL ENTERPRISES INVOLVING A HANDFUL OF PEOPLE TO MULTI-MILLION POUND BUSINESSES.

Set up a century ago to aid co-operation between co-operators around the world, the International Co-operative Alliance includes more than 200 national and international organisations in over 100 countries, with an estimated total membership of 700 million individuals.

THE ICA 1995 CONGRESS WILL MARK THE CENTENNIAL OF THIS WORLDWIDE ORGANISATION. APPROPRIATELY, MANCHESTER HAS BEEN CHOSEN TO HOST THE FESTIVITIES, WHICH WILL BE ATTENDED BY AROUND 3000 GUESTS AND REPRESENTATIVES FROM ALL OVER THE WORLD. AND, MORE FITTINGLY STILL, THE OPENING CEREMONY WILL TAKE PLACE IN THE NEW MANCHESTER ARENA, THE LARGEST IN EUROPE, PART-FUNDED BY THE BANK AND CLOSE TO OUR HEADQUARTERS.

to raise awareness of the Bank throughout the sector. But, as in other areas, we also had to prove ourselves capable of supplying products and services of the highest quality. For Friends of the Earth, for example, we were delighted to provide a bespoke banking service to facilitate their house-to-house collection in September.

But an even better illustration of our responsiveness to the specialised needs of this sector is AXIS, our unique postal payment processing service. When a charity carries out a fund-raising programme, it's essential

Playing our part in the community

for donations to reach their bank account as quickly as possible. AXIS aims to deal with the response to even the largest promotion within just 24 hours. During the course of last year, a number of charities enjoyed the benefits of this service, including Feed The Children, Cancer Relief McMillan Fund, Shelter, Amnesty International, NSPCC and British Red Cross.



Our Grass Roots Award, sculpted from storm-damaged wood, and won this year by our Swansea branch.

It wasn't only the competitiveness of our products and the quality of our service that set The Co-operative Bank apart in 1994. Our commitment to playing a constructive role in the community also played a vital part in distinguishing us from our competitors. We cannot stress too strongly that this goes a great deal deeper than simply signing the occasional cheque. Our sense of social responsibility has

been with us since we started; and, more important still, it's shared by everyone who works for the Bank.

Nothing demonstrates this better than our own Grass Roots Award. Contested annually by all our staff, this prestigious prize is presented to the branch or department that shows the most initiative and imagination in putting the Bank's ethical stance into practice on a local level.

The winners in 1994, against stiff competition, were our Swansea branch. During the year, they organised 18 separate events in support of causes ranging from ChildLine Wales to the Pontardawe Music Festival. One particularly original idea which caught the judges' attention was selling autumn leaves at the branch to pay for the planting of two saplings during National Tree Week.

Similarly, our support for charities takes an active and innovative form; and the best illustration of this is provided by our unique partnership with Christian Aid.

Every year, Christian Aid Week raises around £9 million, to help some of the world's poorest people towards greater self-reliance. Under the terms of our three year alliance, which came into effect in 1994, we contributed towards the cost of promotional materials, enabling more of the money raised by the charity to go direct to their projects overseas.

What's more, our contribution was more than matched by donations from



One of many ways we supported Christian Aid Week: by displaying posters in all our branches.

our customers, in response to our 'Partners for Change' initiative, which was also highly successful in helping to recruit many new regular monthly donors, a vitally important source of

long-term income for Christian Aid.

Especially pleasing was the willingness of staff at many of our branches to involve themselves at a local level, and not only by collecting Christian Aid envelopes. The

great Wash for Dosh was another opportunity for the charity to clean up; with our Chesterfield branch, for example, persuading the local fire brigade to scrub the spire of the town's 750 year old church.

As a result of all this activity, we are pleased to say that Christian Aid Week's total income showed a year-on-year increase, despite a general fall in charitable giving.

And we believe there was an equally important benefit to the Bank. Christian Aid chose to team up with The Co-operative Bank because of the high degree of compatibility between our organisations; in particular, the many goals and values we have in common. So for us, this partnership is a unique opportunity to get our message across to the millions of caring people who support the work of Christian Aid, many of whom precisely match the profile of our typical customer.

Our developing relationship with

the Hospice Movement also took an important step forward in 1994, with the Bank's Christmas card being in aid of Help The Hospices. In all, around 14,000 cards were distributed for use throughout our branch network, raising a total of nearly £7,000 to support the charity's excellent work in training nurses and doctors in the very special skills unique to hospice care.

In 1994, we also spent a lot of time and money on home improvements. That's to say, we continued to invest heavily in Greater Manchester, which is where we have always been based since The Co-operative Bank was founded back in 1872.

Project Heartland was a large scale campaign designed to draw the attention of our local community to the many ways in which we are working to make the area a better place to live and work, for all its people.

On a national level, too, we continued to make a highly positive contribution, giving wholehearted support to a wide range of like-minded organisations and worthwhile activities.

We were happy, for example, to sponsor the national 'Greenest Student Union Award', won in its inaugural year by Nottingham Trent University. Between them, Britain's largest student unions have over 1.5 million customers and an annual purchasing budget of more than £175 million, which means they are in a position to have a significant impact on the environment. In addition, of course, today's students are tomorrow's



Getting the Blues: Manchester City Football Club teamed up with us in 1994, giving us their full banking business. In the same field, we also provided a personal loan package for Celtic supporters wishing to buy shares in the club.



A long-standing customer: the North East-based Federation Brewery has been with the Bank since their foundation 75 years ago. To mark the occasion, the Bank's Colin Evans is seen presenting a commemorative clock to the Chairman and Chief Executive.



Another new customer in 1994: Winsford-based furniture manufacturer, Robert Victor Ltd.

opinion-formers and decision-makers; making them a vitally important market sector.

We also remain enthusiastic members of The Per Cent Club. To qualify, companies must contribute not less than half a per cent of their pre-tax profits to the community. In 1994, our total contribution of around £1.1 million represented 4% of our record £27.5 million profits.

Finally, we were delighted to win a special commendation in the Co-operative Wholesale Society's Caring Awards, in recognition of our Ethical Policy and our success, both locally and nationally, in putting our principles into practice.

All in all, then, 1994 was a marvellous year for The Co-operative Bank. Without losing sight of our roots, we moved forward rapidly on all fronts. By listening to our customers, and winning the wholehearted support of our staff, we gained a genuine competitive advantage. And, above all, in remaining true to our unchanging values, we proved that a clear conscience is the best foundation on which to build a business.

The Co-OPERATIVE MOVEMENT today

IN THEIR WILDEST IMAGININGS, THE ROCSDALE PIONEERS COULD NEVER HAVE ENVISAGED THE SIZE AND SCOPE OF THE CO-OPERATIVE MOVEMENT AS IT IS TODAY.

Directly descended from the shop in Toad Lane, the Co-operative Retail Movement employs around 80,000 staff and has an annual turnover of more than £7 billion. But over the years, the 'Rochdale Principles of Co-operation' have been successfully applied in many other fields. In fact, it's fair to say that co-operatives are involved in virtually every area of economic activity, from manufacturing to agriculture - as well, of course, as banking and insurance.

INTEREST IN CO-OPERATION IN THE UK REMAINS HIGH, AND IS FOSTERED BY THE UNITED KINGDOM CO-OPERATIVE COUNCIL (UKCC). CO-FOUNDED BY THE BANK IN 1991, THE UKCC BRINGS TOGETHER ORGANISATIONS REPRESENTING ALL THE MANY TYPES OF BUSINESSES AND ENTERPRISES IN THE CO-OPERATIVE SECTOR OF THE NATIONAL ECONOMY. ITS MAIN PURPOSE IS TO PROMOTE CO-OPERATIVE PRINCIPLES GENERALLY, AND TO PROVIDE HELP AND SUPPORT WHEREVER INDIVIDUAL VENTURES NEED IT; IN SHORT, TO KEEP THE FLAME OF CO-OPERATION BURNING STRONGLY.

In 1994 we were pleased to be able to support and work with the following organisations:

Inner City and Urban Regeneration

Agency for Economic Development
East Manchester Partnership
Greater Manchester Common Purpose
Moss Side & Hulme Business Support Group
North West Business Leadership Team
The Blackburn Partnership
Transpennine

Environment

Community Technical Aid Centre
Groundwork Foundation
Groundwork Manchester
Ipswich Borough Council
Manchester Environmental and Energy Agency
The Lancashire Centre for Environmental Excellence in Industry
The North West Business Leadership Team
Environment Action Group
The Salford Trafford Groundwork Trust
Wirral Green Alliance

Community

All Aboard 1994
Business in the Community
Cancer Aid & Listening Line
Central Foundation Boys School
Chair of Corporate Responsibility - Manchester Business School
Community Development Foundation
Community Trust for Greater Manchester
Drugs Education Trust
Fiddlers Lane County Primary School
Friends of the Citizens Advice Bureaux
Friends of St Ann's Hospice
Hulme & Moss Side Pride Week
International Festival of Sport
Manchester Initiative
Moss Side & Hulme Community Development Trust
Timperley Hockey Club
The Prince's Trust Volunteers
University of Bradford Students Union - African Caribbean Society
University of Wolverhampton Students Union
Vital Topics Seminar - Manchester Business School

Co-operatives

Association of British Credit Unions
Co-op 150
International Co-operative Alliance
Greater Manchester Chapter of Credit Unions
Plunkett Foundation
Shared Interest
Society for Co-operative Studies

The North West Region Co-operative Enterprise
The UK Co-operative Council
Wales Co-operative Development & Training Centre
Woodcraft Folk

Charities and other organisations

Action Aid Special Project - Kenya
Animal Welfare Liaison Network
Childline
Christian Aid
Diocese of Oxford Christian Ethical Investment Group
Harefield Hospital
Help The Hospices
Manchester International Peace Festival
Moorfields Eye Hospital
National Association of Volunteer Bureaux
North West Civic Trust
North West Woman of Achievement
Notting Hill Housing Trust Key Issue Appeal
Patient Power
Radio Cavell
Salford Compact
The European Young Peoples Festival 1994
The Princess Royal Trust for Carers
University of London Union Debating Society
Wakefield Sandal Magna Scout Group
War on Want
Wood Street Mission

Equal Opportunities

Opportunity 2000

Project Skelmersdale

Ashurst Play Group
Aughton Boys Club
Birch Green Junior Football Club
Birch Green Junior Residents Association
Childline
Christmas Hampers for the Elderly
Church Lads & Church Girls Brigade
Delphside School
Digmore Youth Club
Glenburn School
Guide Dogs for the Blind, in memory of Diane Taylor
Lancashire Police - Stranger Danger Campaign
Leon McGuinness Fund
Ormskirk & District Cardiac Support Group
Our Lady Queen of Peace School Music Festival
Skelmersdale Jets
Sports Adventure Social Youth Club
St. Thomas the Martyr School
The Matthew Rimmer Fund
The Royal Rangers
The Salvation Army
West Lancashire Trade Union Community & Unemployed Resource Centre

We, The Co-operative Bank Group, will continue to develop a successful and innovative financial institution by providing our customers with high quality financial and related services whilst promoting the underlying principles of co-operation which are...

Quality and Excellence to offer all our customers consistent high quality and good value services and strive for excellence in all that we do.

Participation to introduce and promote the concept of full participation by welcoming the views and concerns of our customers and by encouraging our staff to take an active role within the local community.

Freedom of Association to be non-partisan in all social, political, racial and religious matters.

Education and Training to act as a caring and responsible employer encouraging the development and training of all our staff and en-

couraging commitment and pride in each other and the Group.

Co-operation to develop a close affinity with organisations which promote fellowship between workers, customers, members and employers.

Quality of Life to be a responsible member of society by promoting an environment where the needs of local communities can be met now and in the future.

Retentions to manage the business effectively and efficiently, attracting investment and maintaining sufficient surplus funds within the business to ensure the continued development of the Group.

Integrity to act at all times with honesty and integrity and within legislative and regulatory requirements.

Following extensive consultation with our customers, with regard to how their money should be invested the Bank's position is that:

It will not invest in or supply financial services to any regime or organisation which oppresses the human spirit, takes away the rights of individuals or manufactures any instrument of torture.

It will not finance or in any way facilitate the manufacture or sale of weapons to any country which has an oppressive regime.

It will encourage business customers to take a pro-active stance on the environmental impact of their own activities.

It will actively seek out individuals, commercial enterprises and non-commercial organisations which have a complementary ethical stance.

It will not speculate against the pound using either its own money or that of its customers. It believes it is inappropriate for a British clearing bank to speculate against the British currency and the British economy using deposits provided by their British customers and at the expense of the British tax payer.

It will try to ensure its financial services are not exploited for the purposes of money laundering, drug

trafficking or tax evasion by the continued application and development of its successful internal monitoring and control procedures.

It will not provide financial services to tobacco product manufacturers.

It will continue to extend and strengthen its Customer Charter, which has already established new standards of banking practice through adopting innovative procedures on status enquiries and customer confidentiality, ahead of any other British bank.

It will not invest in any business involved in animal experimentation for cosmetic purposes.

It will not support any person or company using exploitative factory farming methods.

It will not engage in business with any farm or other organisation engaged in the production of animal fur.

It will not support any organisation involved in blood sports, which it defines as sports which involve the training of animals or birds to catch and destroy, or to fight and kill, other animals or birds.

We will regularly re-appraise customers' views on these

and other issues and develop our ethical stance accordingly.



The Board

Chairman

T. Agar

Managing Director

T. J. Thomas F.C.I.B.

Non-Executive Directors

G. R. Bennett

R. H. Burlton

G. L. Fyfe

D. T. Hughes

G. J. Melmoth

W. A. Prescott

D. Skinner

Executive Directors

M. A. Firth B.A.(Hons.)

K. J. Lewis B.Sc.Econ.(Hons.), F.I.P.M.

W. J. Marper F.C.A.

M. J. Woodward A.C.I.B

Secretary

R. K. Jones

The Co-operative Bank p.l.c.

Registered in England No. 990937

Head Office and Registered Office

1 Balloon Street, Manchester M60 4EP.

Telephone: 0161-832 3456. Telex: 667274. Fax: 0161-829 4475.

City Office

9 Prescot Street, London E1 8SF

Telephone: 0171-480 5171. Telex: 884533. Fax: 0171-522 9312.

The Co-operative Bank p.l.c. is a member of IMRO

The directors submit their report, together with the audited financial statements for the year ended 14th January 1995.

Results and Dividends

The profit on ordinary activities before taxation was **£27,511,000** (1993-£17,789,000), an increase of £9,722,000 on 1993. After preference dividends of **£5,641,000** the profit attributable to the ordinary shareholders amounted to **£12,206,000**. The directors recommend a final dividend of **0.5p** per ordinary share which amounts to **£3,000,000**, leaving **£9,206,000** to be transferred to reserves as shown in the consolidated profit and loss account on page 27.

Activities and Business Review

The Bank and its subsidiary undertakings forming The Co-operative Bank Group provide an extensive range of banking and financial services in the United Kingdom.

The operating and financial review sets out the business of the Group for the year ended 14th January 1995 and future developments.

Outlets

At 14th January 1995 the Bank had **129** outlets, **329** Handybanks and over **2,000** banking points in retail stores where customers can make withdrawals.

Directors and their Interests

The names of the present members of the Board are set out on page 23.

Mr G. Younger also served as a director during the year but resigned from the Board on 1st March 1994.

In accordance with the Articles of Association, Messrs. Bennett, Firth, Fyfe and Melmoth retire by rotation and, being eligible, offer themselves for re-election.

No director offering himself for re-election has a service contract with the Bank or any of its subsidiary undertakings which has a duration of more than one year.

As nominees of the parent organisation, Messrs. T. Agar and T.J. Thomas each held 40 ordinary shares of 5p each throughout the year.

The directors' interests in the Bank's 9.25% £1 preference shares were as follows:

	No. of Shares	
	1994	1993
T.J. Thomas	-	11,500
W.J. Marper	11,042	11,042

No other directors had a beneficial interest in any shares in the Group or in Co-operative Wholesale Society Limited which is the ultimate holding organisation, or in any other companies controlled by Co-operative Wholesale Society Limited, apart from the following interests in Unity Trust Bank plc:

	1994		1993	
	'C' Shares of £1 each	Loan Stock	'C' Shares of £1 each	Loan Stock
T.J. Thomas	Nil	Nil	500	£300
G.J. Melmoth	226	Nil	150	£90

The holdings in loan stock refer to convertible subordinated unsecured floating rate loan stock. Each £100 nominal of stock is convertible at the holder's option during May from 1993 to 2003, into 85 "C" ordinary shares of £1 each. There have been no changes in the directors' shareholdings between the end of the financial year and 5th April, 1995.

None of the directors had an interest at any time during the year in contracts which were material in relation to the Bank's business.

Non-Executive Directors

The non-executive directors are appointed from the Board and Executive of Co-operative Wholesale Society Limited (CWS), which is the holder of all the ordinary share capital, as follows:

Tom Agar, 63, Secretary of Lincoln Co-operative Chemists Limited and former Chief Executive of Lincoln Co-operative Society Limited.
Graham Bennett, 44, Chief Executive of Portsea Island Mutual Co-operative Society Limited.
Robert Burlton, 46, Chief Executive of Oxford, Swindon and Gloucester Co-operative Society Limited.
Lennox Fyfe, 53, Chief Executive of Leicestershire Co-operative Society Limited.
Trevor Hughes, 52, Chief Executive of Associated Co-operative Creameries Limited.
Graham Melmoth, 57, CWS Secretary.
Alan Prescott, 52, CWS Controller, Finance and Property.
David Skinner, 63, CWS Chief Executive.

Directors' and Officers' Liability Insurance Policy

During the year the Bank has maintained cover for its directors and officers and those directors and officers of a number of its subsidiary undertakings, under a directors' and officers' liability insurance policy, as permitted by section 310(3)(a) of the Companies Act 1985.

The Committee on the Financial Aspects of Corporate Governance, Code of Best Practice

The Board considers that the Bank complies with those recommendations of the Code which are not subject to further clarification, except in the following aspects of detail:

A majority of the Board are non-executive directors, who represent customers of the Bank and in this respect are not strictly independent, as defined by the Cadbury report. However, they do not partake in Board decisions relating to any organisation with which they have a relationship.

Our auditors, KPMG, have confirmed that in their opinion, with respect to the directors' statement on going concern below, the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which they are aware from their audit work on the financial statements; and the directors' statement above appropriately reflects the Bank's compliance with the other paragraphs of the Code in force specified by the Listing Rules for their review. They have carried out their review in accordance with the bulletin issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of the Bank's system of corporate governance procedures, or on the ability of the Group to continue in operational existence.

Going Concern

The financial statements continue to be prepared on the going concern basis as the directors are satisfied that the group has the resources to continue in business for the foreseeable future.

Staff

The Bank and its subsidiary undertakings employed **3,816** persons at 14th January 1995 (1993-3,886). The weekly average number of persons was **3,804** (1993-3,871) and their aggregate remuneration for the year was **£62,340,000** (1993-£62,312,000).

The Bank recognises the valuable contribution of staff to its continued improved performance in 1994 and the support they have given in a period of major change.

The Bank has continued to communicate with and consult staff on key business issues through an established staff council and regular briefings. The Bank has invested in training to provide staff with skills necessary to meet customers' requirements and in support of the Bank's commitment to Ethical Banking and Guaranteed Levels of Service. The Performance Management System links individual performance to overall Corporate objectives and rewards staff accordingly for their achievement.

Disabled Persons

The Bank's policy is to give careful consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities when related to opportunities available. The Bank recognises its responsibility to the training and career development of disabled persons and persons who become disabled whilst in the Bank's employment.

Donations

During the year, the Group made donations of **£594,000** (1993-£190,009) to United Kingdom charitable organisations. The Bank is a member of The Per Cent Club, the members of which commit a minimum percentage of their earnings to the community each year.

No donation for political purposes was made. The Bank's Mission Statement declares that the Bank is non partisan in all social, political, racial and religious matters.

The figure for donations included **£381,000** (1993-Nil) in respect of the innovative new "Customers Who Care" scheme in which the Bank committed to donate a proportion of its VISA income to charitable organisations.

Payments in respect of Business Partnership arrangements with Charitable Organisations

The Bank made payments totalling **£536,052** (1993-£326,948) to the Royal Society for the Protection of Birds, Help The Aged, Amnesty International, Oxfam and Feed the Children in respect of business partnership arrangements.

Donations to charities and payments in respect of business partnership arrangements with charitable organisations totalled **£1,130,052** (1993-£516,957).

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Bank and of the Group and to enable them to ensure that the financial statements comply with the Companies Act. 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.

Directors' Committees

Audit Committee


W. A. Prescott
T. Agar
G. R. Bennett

Remuneration Committee

T. Agar
G. L. Fyfe
G. J. Melmoth
D. Skinner

Auditors

On 6th February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Bank and to authorise the directors to determine their remuneration, is to be proposed at the forthcoming Annual General Meeting.


By Order of the Board
R. K. Jones, Secretary
5th April 1995

	Notes	1994 (53 weeks) £'000	1993 (52 weeks) £'000	for the year ended 14th January 1995
Interest receivable				
Interest receivable and other income arising from debt securities		35,836	20,301	
Other interest receivable and similar income		217,610	224,651	
		253,446	244,952	
Interest payable		(114,320)	(114,955)	
Net Interest Income		139,126	129,997	
Dividend income	2	189	14	
Fees and commissions receivable		114,569	107,089	
Fees and commissions payable		(14,106)	(14,040)	
Dealing profits		1,189	2,810	
Other operating (losses)/income		(2,749)	1,861	
Operating Income		238,218	227,731	
Administrative expenses				
Staff costs	3	(83,890)	(82,008)	
Other		(84,259)	(79,762)	
Depreciation and amortisation	19	(10,712)	(10,653)	
		(178,861)	(172,423)	
		59,357	55,308	
Provisions for bad and doubtful debts	14	(31,977)	(38,444)	
Losses from associated undertakings		(232)	(38)	
Operating profit		27,148	16,826	
Profit on sale of property		363	963	
Profit on Ordinary Activities before Taxation	4	27,511	17,789	
Taxation on profit on ordinary activities	7	(9,463)	(6,698)	
Profit on Ordinary Activities after Taxation		18,048	11,091	
Minority interests		(201)	(101)	
Profit for the Financial Year	8	17,847	10,990	
Dividends (includes amounts attributable to non-equity shareholders)	9	(8,641)	(8,035)	
Retained Profit for the Year	28	9,206	2,955	
Earnings per share	10	2.03p	0.91p	

(i) Movements in profit and loss account reserves are shown in note 28 on page 47.

(ii) The above results are derived from continuing operations.

The notes on pages 32 to 51 form part of these financial statements

Consolidated Balance Sheet

The Co-operative Bank p.l.c.

at
14th January
1995

	Notes	1994 £'000	1993 £'000
Assets			
Cash and balances at central banks		37,822	31,813
Cheques in course of collection		105,711	156,076
Loans and advances to banks	12	698,510	1,018,907
Loans and advances to customers	13	1,789,703	1,720,947
Debt securities	15	564,216	382,883
Equity shares	16	880	880
Interests in associated undertakings	17	590	594
Tangible fixed assets	19	44,518	40,307
Other assets	20	13,752	14,164
Prepayments and accrued income		38,573	31,940
Total assets	11	3,294,275	3,398,511
Liabilities			
Deposits by banks	21	602,285	572,437
Customer accounts	22	2,273,370	2,410,507
Debt securities in issue	23	49,500	66,750
Other liabilities	24	59,581	73,622
Accruals and deferred income		53,967	29,758
Provisions for liabilities and charges			
Deferred taxation	25	8,178	7,450
Subordinated liabilities	26	81,033	81,033
Minority interests		6,822	6,621
Called up share capital	27		
Ordinary shares		30,000	30,000
Preference shares (non-equity)		60,000	60,000
Share premium account	28	8,814	8,814
Profit and loss account	28	60,725	51,519
Share capital and reserves		159,539	150,333
Total liabilities	11	3,294,275	3,398,511
Memorandum items			
Contingent liabilities	29		
Acceptances and endorsements		81,406	42,047
Guarantees and assets pledged as collateral security		67,243	69,675
		148,649	111,722
Commitments			
Other commitments		1,750,399	1,812,560
		1,750,399	1,812,560

Approved by the Board on 5th April 1995 and signed on its behalf by

T. Agar, CHAIRMAN

T.J. Thomas, MANAGING DIRECTOR

T.J. Thomas

The notes on pages 32 to 51 form part of these financial statements

	Notes	1994 £'000	1993 £'000	at 14th January 1995
Assets				
Cash and balances at central banks		37,640	31,667	
Cheques in course of collection		105,365	155,809	
Loans and advances to banks	12	617,267	946,557	
Loans and advances to customers	13	1,717,663	1,655,402	
Debt securities	15	528,456	350,178	
Equity shares	16	527	527	
Interests in associated undertakings	17	17	17	
Shares in group undertakings	18	1,157	1,157	
Tangible fixed assets	19	43,896	39,806	
Other assets	20	15,655	13,531	
Prepayments and accrued income		34,211	28,369	
Total assets	11	3,101,854	3,223,020	
Liabilities				
Deposits by banks	21	605,717	572,437	
Customer accounts	22	2,133,025	2,282,156	
Debt securities in issue	23	49,500	66,750	
Other liabilities	24	53,223	66,297	
Accruals and deferred income		30,759	15,965	
Provisions for liabilities and charges				
Deferred taxation	25	2,570	1,052	
Subordinated liabilities	26	75,000	75,000	
Called up share capital	27			
Ordinary shares		30,000	30,000	
Preference shares (non-equity)		60,000	60,000	
Share premium account	28	8,814	8,814	
Profit and loss account	28	53,246	44,549	
Share capital and reserves		152,060	143,363	
Total liabilities	11	3,101,854	3,223,020	
Memorandum items				
Contingent liabilities	29			
Acceptances and endorsements		81,406	42,047	
Guarantees and assets pledged as collateral security		66,991	69,372	
		148,397	111,419	
Commitments				
Other commitments		1,749,598	1,812,560	
		1,749,598	1,812,560	

Approved by the Board on 5th April 1995 and signed on its behalf by

T. Agar, CHAIRMAN

T.J. Thomas, MANAGING DIRECTOR



The notes on pages 32 to 51 form part of these financial statements

Statement of Total Recognised Gains & Losses

The Co-operative Bank p.l.c.

	1994 £'000	1993 £'000
Profit for the financial year	17,847	10,990
Revaluation of property	-	56
Total recognised gains and losses for the year	17,847	11,046

Reconciliation of Movements in Shareholders' Funds

	1994 £'000	1993 £'000
Profit for the financial year	17,847	10,990
Dividends	(8,641)	(8,035)
Other recognised gains and losses for the year	-	56
Goodwill written off	-	(16)
Net increase in shareholders' funds	9,206	2,995
Shareholders' funds at beginning of year	150,333	147,338
Shareholders' funds at end of year	159,539	150,333

The notes on pages 32 to 51 form part of these financial statements

	Notes	1994 £'000	1993 £'000	for the year ended 14th January 1995
Net cash outflow from operating activities	30	(302,209)	(47,797)	
Returns on investments and servicing of finance				
Investment interest received		28,137	13,661	
Ordinary dividends paid		(2,500)	—	
Preference dividends paid		(5,550)	(5,550)	
Loan stock interest paid		(4,478)	(5,409)	
Net cash inflow from returns on investments and servicing of finance		15,609	2,702	
Taxation				
United Kingdom corporation tax (paid)/received		(5,616)	3,355	
Investing activities				
Purchase of investments		(621,580)	(720,802)	
Sale of investments		582,595	587,791	
Purchase of tangible fixed assets		(17,060)	(16,195)	
Sale of tangible fixed assets		1,318	1,831	
Investment in associated undertakings		(150)	(275)	
Net cash outflow from investing activities		(54,877)	(147,650)	
Net cash outflow before financing		(347,093)	(189,390)	
Financing				
Decrease in cash and cash equivalents	30	(347,093)	(189,390)	
		(347,093)	(189,390)	

The notes on pages 32 to 51 form part of these financial statements

1(a) Basis of consolidation and accounting date

- (i) The financial statements of the group relate to the 53 weeks to 14th January 1995 (corresponding figures for the previous year, 52 weeks to 8th January 1994). Since the group accounting date is virtually co-terminous with the calendar year 1994 the financial year's figures are headed 1994 and the corresponding figures for the previous year are headed 1993. The financial statements are prepared on a historical cost basis in accordance with applicable accounting standards and with the special provisions of Part VII of the Companies Act 1985 relating to Banking Groups.

The financial statements contain information prepared on a basis consistent with the requirements of Schedule 9 to the Companies Act 1985 which sets out specific requirements regarding the format of the balance sheet and profit and loss account.

- (ii) Associated undertakings

In the consolidated balance sheet associated undertakings are shown at cost and the group's share of reserves from the date of acquisition, less amounts written off.

- (iii) Goodwill

The premium paid on the acquisition of shares in subsidiary undertakings, being the excess of the amount paid over the net tangible assets at the date of acquisition, has been written off against reserves.

(b) Debt securities**Held as investment securities**

Dated securities are valued at cost, adjusted for the amortisation of premiums and discounts in the purchase price.

Undated securities are valued at the lower of cost or market value.

The amortisation of premiums and discounts of dated securities is included in interest income and is calculated to maintain a level yield from the date of acquisition to maturity.

Realised profits and losses on the sale of debt securities held in designated closed investment portfolios are taken to profit and loss account based on the maturity profile of the portfolio.

This treatment has been adopted in order that the financial statements give a true and fair view of the operation of these closed investment portfolios. As a consequence in this respect, the financial statements depart from the Companies Act 1985. The normal treatment is to recognise profits and losses as they arise. The treatment of amortising profits and losses has been adopted to reflect the fact that the closed portfolio operates as a single financial fixed asset.

Realised profits and losses on the sale of other investment debt securities are taken to profit and loss account in the period in which they arise.

Held as dealing securities

Securities held for dealing purposes are stated at market value.

(c) Loans and advances

The amount charged against operating profit for losses on advances comprises specific provisions against identifiable losses and a general provision to cover latent but unidentifiable losses due to doubtful debts. Both provisions are based on a year end appraisal of loans and advances. Loans and advances are shown in the balance sheet after deducting those provisions.

Debts are written off when there is no realistic prospect of further recovery of the amounts owing.

Fees charged at the inception of the advance which represent a payment for services provided in setting up the advance are credited to profit and loss account when they are receivable.

Fees charged at the inception of the advance which represent either a payment for continuing services or an additional interest charge are credited to profit and loss account on a straight line basis or pro rata to the amount outstanding as appropriate.

Interest earned on loans and advances is credited to the profit and loss account as it accrues. When the collection of interest becomes doubtful this is credited to a suspended interest account and therefore excluded from the profit and loss account.

(d) Depreciation

Depreciation is provided on a straight line basis at the following rates which are estimated to write down the assets to realisable values at the end of their useful lives.

Freehold and long leasehold buildings	2.5 per cent per annum
Short leasehold buildings	life of lease
Equipment	10 to 33½ per cent per annum
Vehicles	25 per cent per annum

(e) Assets leased to customers

Assets leased to customers are valued at original cost less depreciation, which is calculated to write off that cost over the primary period of the lease. Depreciation for the period represents the full amount of lease payments due in the period, less the amounts credited to the profit and loss account.

Income from assets leased to customers is credited to the profit and loss account in proportion to the funds invested and includes amounts in respect of both regional development grants and tax credits which arise from falling corporation tax rates, grossed up at the average rate of corporation tax applicable to the period.

In the case of back to back leases, obligations of the Group under finance leases are included in other liabilities and rentals receivable from leases are included in assets leased to customers, both net of future finance charges.

(f) Leased assets

Assets acquired under finance leases are capitalised, based on the purchase price of the assets. Depreciation is provided on the same basis as for owned assets. The interest element of the lease payment is charged to profit and loss account on the basis of the actuarial method over the primary period of the lease. The capital value of the lease is included in the balance sheet as a liability reduced by the capital element of the lease payments.

Operating lease rentals are charged to profit and loss account as they accrue.

(g) Deferred taxation

Provision is made under the liability method for taxation on timing differences between profits stated in the financial statements and profits computed for taxation purposes where there is a reasonable probability that such taxation will become payable in the foreseeable future.

(h) Pension costs

In accordance with actuarial advice pension costs are charged to the profit and loss account to ensure that the regular cost is substantially a level percentage of the current and anticipated pensionable earnings. Variations from the regular cost are allocated over the average remaining working lives of current employees.

(i) Exchange rates

Balances in foreign currencies are expressed in sterling at the rate ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

(j) Off balance sheet instruments

Forward foreign exchange contracts and other off balance sheet instruments used in trading activities are valued at market prices. Profits and losses on instruments which are being used in specifically designated hedging transactions are taken to profit and loss account in a manner that reflects the accounting treatment of the items being hedged.

(k) Dealing

Dealing profits comprise the net gain or loss arising from trading transactions in securities and financial instruments but exclude any gains or losses arising from financial fixed assets. Financial fixed assets are those assets intended for use on a continuing basis in the Bank's activities.

all amounts
are stated
in £'000
unless
otherwise
indicated

	1994 (53 weeks)	1993 (52 weeks)
2. Dividend income		
Income from equity shares	189	14

	1994 (53 weeks)	1993 (52 weeks)
3. Staff costs		
Wages and salaries	62,340	62,312
Social security costs	4,793	4,916
Other pension costs	8,279	7,484
Severance payments and relocation costs	4,750	4,474
Other staff costs	3,728	2,822
	83,890	82,008

	1994 (53 weeks)	1993 (52 weeks)
4. Profit on ordinary activities before taxation		
Is stated after:		
(i) Income:		
Aggregate amounts receivable, including capital repayments, under finance leases, hire purchase and conditional sale contracts	38,862	40,700
Income from listed investments	22,090	10,191
(Losses)/profits on securities dealing	(147)	798
(Losses)/profits on disposal of investment securities	(1,261)	1,145
(ii) Charges:		
Interest payable in respect of subordinated liabilities	4,600	5,046
Hire of computers, equipment and vehicles		
operating lease rentals	2,075	2,801
interest payments on finance leases	238	138
depreciation on finance leases	922	951
interest payments on hire purchase agreements	-	140
depreciation on hire purchase agreements	-	710
Other operating lease rentals	9,497	8,906
Auditors' remuneration - parent company £140,000 (1993-£145,000)	235	241

The auditors' remuneration for non-audit work from The Co-operative Bank p.l.c. and its subsidiary undertakings was £127,000 (1993-£105,000).

	1994 (53 weeks)	1993 (52 weeks)	all amounts are stated in £'000 unless otherwise indicated
5. Emoluments of directors			
Basic pay, pension contributions and benefits in kind	772	829	
Performance related pay	108	—	
Compensation for loss of office	—	470	
	880	1,299	

The Chairman received no emoluments in the current or the preceding year. The emoluments of the highest paid director were as follows:

	1994 (53 weeks)	1993 (52 weeks)
Basic pay and benefits in kind	£177,013	£166,185
Performance related pay	£31,644	—
Pension contributions	£23,972	£22,243
Total	£232,629	£188,428

The emoluments of the highest paid director include a performance related bonus. This amount was accrued for, but not paid, during 1994. It will be paid following publication of this report and financial statements. Provisions of the payment are included in a scheme agreed and supervised by the Bank's Remuneration Committee comprising only of non-executive directors and is entirely related to the Bank's return on shareholders' funds. This is the first occasion on which a payment will be made under this scheme and reflects the significant improvement in the Bank's pre-tax profit.

The emoluments for other executive directors also include performance related bonus payments arising from the same scheme.

The following table shows the number of directors of The Co-operative Bank p.l.c. in the United Kingdom receiving emoluments, excluding pension contributions, within the bands stated.

Emoluments £	Directors	
	1994	1993
Nil	8	9
25,001 – 30,000	1	1
50,001 – 55,000	—	1
75,001 – 80,000	—	1
80,001 – 85,000	—	2
85,001 – 90,000	—	1
110,001 – 115,000	1	—
120,001 – 125,000	2	—
130,001 – 135,000	—	1
165,001 – 170,000	1	1
205,001 – 210,000	1	—

all amounts
are stated
in £'000
unless
otherwise
indicated

6. Pensions

The Bank operates a funded pension scheme of the defined benefit type. This provides benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund.

The total pension charge was **£8,279,000** (1993-£7,484,000). The pension charge is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial assessment of the scheme was at 2nd April 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.5% per annum, that salary increases would average 6.5% per annum and that present and future pensions would increase at the rate of 4.5% per annum.

At the date of the latest actuarial valuation the market value of the assets of the scheme was **£144,106,000** and the actuarial value of the assets was sufficient to cover 115% of the benefits that had accrued to members, after allowing for future increases in earnings.

The amount charged in the profit and loss account exceeds the amount paid into the fund by **£460,000** (1993-£533,000 payment surplus) resulting in a prepayment of **£81,000** (1993-£541,000 prepayment).

The actuaries to the scheme are employed by Co-operative Insurance Society Limited, a fellow subsidiary undertaking of Co-operative Wholesale Society Limited.

7. Taxation

	1994	1993
United Kingdom corporation tax at 33%	8,725	9,336
Tax credit on franked investment income	41	-
Deferred taxation	728	(2,973)
Notional tax on lease earnings equalisation	55	90
(Over)/under provision in previous years	(8)	201
	9,541	6,654
Share of associated undertakings' taxation	(78)	44
	9,463	6,698

8. Group profit dealt with in the accounts of The Co-operative Bank p.l.c.

£11,697,000 (1993-£3,802,000) of the Group profit attributable to ordinary shareholders has been dealt with in the accounts of The Co-operative Bank p.l.c. As permitted by Section 230 of the Companies Act 1985, the profit and loss account of The Co-operative Bank p.l.c. has not been presented separately.

9. Dividends

	1994 pence per share	1993 pence per share	1994	1993
Proposed dividend on 600,000,000 ordinary shares of 5p each	0.5 p	0.417 p	3,000	2,500
Dividend on 60,000,000 9.25% non-cumulative irredeemable preference shares of £1 each (paid and proposed)	9.25 p	9.25 p	5,641	5,535
			8,641	8,035

10. Earnings per share

Earnings per share are calculated by dividing the profit for the financial year **£17,847,000** (1993-£10,990,000) less dividends on preference shares **£5,641,000** (1993-£5,535,000) by the weighted average number of ordinary shares **600,000,000** (1993-600,000,000) in issue during the year.

	The Group		The Bank		all amounts are stated in £'000 unless otherwise indicated
	1994	1993	1994	1993	
11. Assets					
(i) Assets and liabilities					
Denominated in sterling	2,980,676	3,184,437	2,788,255	3,008,946	
Denominated in currencies other than sterling	313,599	214,074	313,599	214,074	
Total assets	3,294,275	3,398,511	3,101,854	3,223,020	
Denominated in sterling	3,068,883	3,263,059	2,876,462	3,087,568	
Denominated in currencies other than sterling	225,392	135,452	225,392	135,452	
Total liabilities	3,294,275	3,398,511	3,101,854	3,223,020	
(ii) Assets subject to sale and repurchase transactions					
Debt securities	—	20,100	—	20,100	
(iii) Assets leased to customers					
Loans and advances to customers	150,229	165,568	22,574	25,246	
finance leases					
Assets acquired during the year for the purpose of letting under finance leases	43,292	34,898	29	95	
12. Loans and advances to banks					
	The Group		The Bank		
	1994	1993	1994	1993	
Remaining maturity:					
over 5 years	7,342	6,295	7,342	6,295	
5 years or less but over 1 year	210	1,075	32	—	
1 year or less but over 3 months	50,011	36,818	34,690	36,192	
3 months or less but not repayable on demand	635,418	972,556	569,631	901,898	
Repayable on demand	5,529	2,163	5,572	2,172	
	698,510	1,018,907	617,267	946,557	
Amounts include:					
Due from subsidiary undertakings					
unsubordinated			2,293	3,358	

all amounts
are stated
in £'000
unless
otherwise
indicated

	The Group		The Bank	
	1994	1993	1994	1993
13. Loans and advances to customers				
Remaining maturity:				
over 5 years	289,043	305,963	245,302	257,492
5 years or less but over 1 year	480,557	466,849	397,993	374,178
1 year or less but over 3 months	267,132	236,869	231,429	208,394
3 months or less but not repayable on demand	492,380	429,307	491,927	427,179
Repayable on demand	404,797	429,898	491,919	530,817
General and specific bad and doubtful debt provisions (note 14)	(144,206)	(147,939)	(140,907)	(142,658)
	1,789,703	1,720,947	1,717,663	1,655,402
Amounts include:				
Due from subsidiary undertakings unsubordinated			127,013	149,955

14. Provisions for bad and doubtful debts

	1994				1993			
	Specific	Suspended interest	General	Total	Specific	Suspended interest	General	Total
Group:								
At 8th January 1994	126,045	16,453	5,441	147,939	114,440	12,488	5,441	132,369
Suspended interest	-	3,052	-	3,052	-	4,933	-	4,933
Charge against profits	32,436	(459)	-	31,977	38,444	-	-	38,444
Amounts written off	(37,437)	(1,876)	-	(39,313)	(27,168)	(968)	-	(28,136)
Recoveries	522	-	-	522	329	-	-	329
Acquired portfolio	29	-	-	29	-	-	-	-
At 14th January 1995	121,595	17,170	5,441	144,206	126,045	16,453	5,441	147,939
Bank:								
At 8th January 1994	122,051	15,375	5,232	142,658	106,843	11,105	5,232	123,180
Suspended interest	-	2,854	-	2,854	-	4,673	-	4,673
Charge against profits	32,589	(459)	-	32,130	36,329	-	-	36,329
Amounts written off	(35,410)	(1,876)	-	(37,286)	(21,450)	(403)	-	(21,853)
Recoveries	522	-	-	522	329	-	-	329
Acquired portfolio	29	-	-	29	-	-	-	-
At 14th January 1995	119,781	15,894	5,232	140,907	122,051	15,375	5,232	142,658

All provisions are held against loans and advances to customers.

During 1994 an active credit card portfolio was purchased along with a provision for bad debts as shown above.

Advances on which interest is suspended:

Group advances	133,481	144,225
Provision for bad and doubtful debts	(51,067)	(65,913)
	82,414	78,312
Bank advances	129,681	140,504
Provision for bad and doubtful debts	(50,017)	(65,818)
	79,664	74,686

	The Group				The Bank				all amounts are stated in £'000 unless otherwise indicated
	1994		1993		1994		1993		
	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value	
15. Debt securities									
(i) Issue									
Issued by public bodies									
Investment securities									
government securities	287,990	272,340	153,844	163,063	262,230	249,091	136,139	144,670	
other public sector securities	2,901	3,127	2,906	3,797	2,901	3,127	2,906	3,797	
	290,891	275,467	156,750	166,860	265,131	252,218	139,045	148,467	
Other securities									
government securities	4,976	4,976	7,859	7,859	4,976	4,976	7,859	7,859	
	295,867	280,443	164,609	174,719	270,107	257,194	146,904	156,326	
Issued by other issuers									
Investment securities									
bank and building society									
certificates of deposit	64,951	64,993	175,016	175,208	54,951	54,999	160,016	160,208	
other debt securities	35,917	35,745	24,436	29,502	35,917	35,745	24,436	29,502	
	100,868	100,738	199,452	204,710	90,868	90,744	184,452	189,710	
Other securities									
bank and building society									
certificates of deposit	162,974	162,974	20,073	20,073	162,974	162,974	20,073	20,073	
other debt securities	14,952	14,952	9,984	9,984	14,952	14,952	9,984	9,984	
	278,794	278,664	229,509	234,767	268,794	268,670	214,509	219,767	
	574,661	559,107	394,118	409,486	538,901	525,864	361,413	376,093	
Unamortised profit on sales of investment securities	(10,445)	-	(11,235)	-	(10,445)	-	(11,235)	-	
	564,216	559,107	382,883	409,486	528,456	525,864	350,178	376,093	
Amounts include:									
Subordinated debt securities	14,952	14,952	9,984	9,984	14,952	14,952	9,984	9,984	
(ii) Maturity									
Due within one year	227,925		199,130		217,925		180,089		
Due one year and over	346,736		194,988		320,976		181,324		
	574,661		394,118		538,901		361,413		
Unamortised profit on sales of investment securities	(10,445)		(11,235)		(10,445)		(11,235)		
	564,216		382,883		528,456		350,178		
Unamortised discounts and (premiums) on investment securities	(10,149)		(9,824)		(9,389)		(11,119)		

all amounts
are stated
in £'000
unless
otherwise
indicated

	The Group				The Bank			
	1994		1993		1994		1993	
	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value
15. Debt securities (continued)								
(iii) Listing								
Investment securities listed on a recognised UK exchange	326,808	311,212	181,008	196,184	301,048	287,963	163,303	177,791
unlisted	64,951	64,993	175,194	175,386	54,951	54,999	160,194	160,386
	391,759	376,205	356,202	371,570	355,999	342,962	323,497	338,177
Unamortised profit on sales of investment securities	(10,445)	-	(11,235)	-	(10,445)	-	(11,235)	-
	381,314	376,205	344,967	371,570	345,554	342,962	312,262	338,177
Other securities listed on a recognised UK exchange	19,928	19,928	17,843	17,843	19,928	19,928	17,843	17,843
unlisted	162,974	162,974	20,073	20,073	162,974	162,974	20,073	20,073
	182,902	182,902	37,916	37,916	182,902	182,902	37,916	37,916
	564,216	559,107	382,883	409,486	528,456	525,864	350,178	376,093

	Cost	Discounts and premiums	Unamortised profit on sales	Carrying value
(iv) Movement				
Investment securities				
Group:				
At 8th January 1994	357,412	(1,210)	(11,235)	344,967
Acquisitions	621,580	-	-	621,580
Disposals	(585,102)	456	(1,060)	(585,706)
Amortisation	-	(1,377)	1,850	473
At 14th January 1995	393,890	(2,131)	(10,445)	381,314
Bank:				
At 8th January 1994	323,704	(207)	(11,235)	312,262
Acquisitions	494,394	-	-	494,394
Disposals	(460,909)	299	(1,060)	(461,670)
Amortisation	-	(1,282)	1,850	568
At 14th January 1995	357,189	(1,190)	(10,445)	345,554

	The Group		The Bank		all amounts are stated in £'000 unless otherwise indicated
	1994	1993	1994	1993	

16. Equity sharesInvestment securities
unlisted

880	880	527	527
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Group and Bank	
1994	1993

Included above is the following trade investment:

BACS Ltd 79,583 (1993-79,583) ordinary shares of £1 each

527	527
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All unlisted securities are valued by the directors at cost and there are no provisions raised against shares held.

17. Interests in associated undertakings

The interests in associated undertakings, all of which are incorporated in Great Britain, registered in England and Wales and operate in England and none of which is quoted, are:

Associated undertakings	Nature of business	Total issued share capital at 14th January 1995	Group interest 1994	Group interest 1993
* Co-operative Pension Funds Unit Trust Managers Limited	Investment managers	165,000 Ordinary shares of £1 each	33%	33%
§ Unity Pension Services Limited	Marketing of pension plans	400,000 Ordinary shares of £1 each	18%	18%
§ Unity Financial Services Limited	Marketing of financial services	1,000,000 Ordinary shares of £1 each	18%	18%
§ Jacques Martin Unity Limited	Administration of pension schemes	850,000 Ordinary shares of £1 each	18%	18%

* The ultimate holding organisation of this undertaking is Co-operative Wholesale Society Limited.

§ Held by Unity Trust Bank plc

The interest in associated undertakings is made up as follows:

	Group	Bank
	Share of net assets	Cost
At 8th January 1994	594	17
Acquisitions	150	-
Retained loss	(154)	-
At 14th January 1995	590	17

all amounts
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in £'000
unless
otherwise
indicated

18. Ultimate holding organisation and subsidiary undertakings

The Co-operative Wholesale Society Limited owns the whole of the issued ordinary share capital of the Bank and is also the ultimate holding organisation. The Co-operative Wholesale Society Limited is incorporated in England and is registered under the Industrial and Provident Societies Acts 1965 to 1978. The principal operating subsidiaries of The Co-operative Bank p.l.c., all of which are incorporated in Great Britain, registered in England and Wales and operate in England, are:

Operating subsidiaries	Nature of business	Total issued share capital at 14th January 1995	Group interest 1994	Group interest 1993
* Unity Trust Bank plc	Banking	10,890,297 Ordinary shares of £1 each	36%	36%
Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
First Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Second Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Third Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Fourth Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Co-operative Bank Financial Advisers Limited	Financial advisers	100,000 Ordinary shares of £1 each	100%	100%
CIM Fund Managers Limited	Investment managers	10,000 Ordinary shares of £1 each	100%	100%
CIM Unit Trust Managers Limited	Unit trust managers	10,000 Ordinary shares of £1 each	100%	100%
Larchvale Limited	Building contractors	2 Ordinary shares of £1 each	100%	100%
* Unity Investment Management Limited	Investment managers	10,000 Ordinary shares of £1 each	36%	36%
* Unity Security Balloting Services Limited	Balloting services	40,000 Ordinary shares of £1 each	27%	27%
* Unity Corporate Advisors Limited	Corporate finance	60,000 Ordinary shares of £1 each	36%	36%
Shares in Group undertakings:		Cost	Provision	Carrying value
At 8th January 1994		1,552	(395)	1,157
Acquisition		-	-	-
At 14th January 1995		1,552	(395)	1,157

The above provision is held against dormant subsidiaries.

* Held through subsidiary undertakings.

Details of all Group companies will be annexed to the Bank's next annual return.

*all amounts
are stated
in £'000
unless
otherwise
indicated*

18. Ultimate holding organisation and subsidiary undertakings (continued)

Unity Trust Bank plc and its subsidiaries, Unity Investment Management Limited, Unity Security Balloting Services Limited and Unity Corporate Advisors Limited, are considered to be subsidiary undertakings of The Co-operative Bank p.l.c. as The Co-operative Bank p.l.c. elects a majority of the Directors and appoints the Chairman and Managing Director of Unity Trust Bank plc.

The financial statements of the above undertakings are consolidated into the group financial statements.

The following undertakings have year ends which are not co-terminous with that of The Co-operative Bank p.l.c. to enable competitive leasing quotations to be offered throughout the year:

First Roodhill Leasing Limited	31st March
Second Roodhill Leasing Limited	30th June
Third Roodhill Leasing Limited	30th September

The financial statements of these undertakings are consolidated into the group financial statements on the basis of management accounts made up to the parent undertaking's balance sheet date.

The financial statements of the ultimate holding organisation are available from Co-operative Wholesale Society Limited, New Century House, Manchester M60 4ES.

19. Tangible fixed assets

	Freehold and leasehold buildings	Computer and other equipment	Finance leased assets	Total
Group:				
Cost				
At 8th January 1994	3,309	94,687	6,987	104,983
Additions	(36)	16,056	—	16,020
Disposals	(750)	(7,287)	—	(8,037)
At 14th January 1995	2,523	103,456	6,987	112,966
Accumulated depreciation				
At 8th January 1994	800	60,793	3,083	64,676
Disposals	(19)	(6,921)	—	(6,940)
Charge for the year	81	9,709	922	10,712
At 14th January 1995	862	63,581	4,005	68,448
Net book value at 14th January 1995	1,661	39,875	2,982	44,518
Net book value at 8th January 1994	2,509	33,894	3,904	40,307
Bank:				
Cost				
At 8th January 1994	3,309	93,447	6,987	103,743
Additions	(36)	15,770	—	15,734
Disposals	(750)	(7,278)	—	(8,028)
At 14th January 1995	2,523	101,939	6,987	111,449
Accumulated depreciation				
At 8th January 1994	800	60,054	3,083	63,937
Disposals	(19)	(6,912)	—	(6,931)
Charge for the year	81	9,544	922	10,547
At 14th January 1995	862	62,686	4,005	67,553
Net book value at 14th January 1995	1,661	39,253	2,982	43,896
Net book value at 8th January 1994	2,509	33,393	3,904	39,806

all amounts
are stated
in £'000
unless
otherwise
indicated

Group and Bank

1994 1993

19. Tangible fixed assets (continued)

The net book value of land and buildings comprises:

Freehold	1,561	2,394
Long leasehold	21	22
Short leasehold	79	93
	1,661	2,509

	The Group		The Bank	
	1994	1993	1994	1993
Future capital expenditure:				
Contracted but not provided in the financial statements	3,706	1,687	2,511	1,687
Authorised by the directors but not contracted	1,310	1,060	1,310	1,060
	5,016	2,747	3,821	2,747

20. Other assets

	The Group		The Bank	
	1994	1993	1994	1993
Foreign exchange and interest rate contracts	8,191	11,257	8,191	11,257
Trade debtors	5,561	2,907	4,911	1,935
Amounts due from subsidiary undertakings	—	—	2,553	339
	13,752	14,164	15,655	13,531

21. Deposits by banks

	The Group		The Bank	
	1994	1993	1994	1993
With agreed maturity dates or periods of notice, by remaining maturity:				
1 year or less but over 3 months	5,479	3,209	5,479	3,209
3 months or less but not repayable on demand	466,919	554,866	470,351	554,866
Repayable on demand	129,887	14,362	129,887	14,362
	602,285	572,437	605,717	572,437
Amounts include:				
Due to subsidiary undertakings			3,432	—

22. Customer accounts

	The Group		The Bank	
	1994	1993	1994	1993
With agreed maturity dates or periods of notice, by remaining maturity:				
5 years or less but over 1 year	2,250	37,299	—	37,299
1 year or less but over 3 months	20,065	19,569	19,981	19,569
3 months or less but not repayable on demand	747,979	1,022,090	713,559	983,678
Repayable on demand	1,503,076	1,331,549	1,399,485	1,241,610
	2,273,370	2,410,507	2,133,025	2,282,156
Amounts include:				
Due to subsidiary undertakings			5,515	3,480
Due to parent organisation	11,452	24,516	11,452	24,516
Due to fellow subsidiary undertakings	7,183	19,827	7,183	19,827

	The Group		The Bank		<i>all amounts are stated in £'000 unless otherwise indicated</i>
	1994	1993	1994	1993	
23. Debt securities in issue					
Medium term notes:					
due one year and over	28,000	—	28,000	—	
Other debt securities in issue, by remaining maturity:					
1 year or less but over 3 months	2,000	14,750	2,000	14,750	
3 months or less	19,500	52,000	19,500	52,000	
	49,500	66,750	49,500	66,750	

	The Group		The Bank		
	1994	1993	1994	1993	
24. Other liabilities					
Foreign exchange and interest rate contracts	7,841	8,692	7,841	8,692	
Items in the course of transmission to other banks	8,650	7,425	8,634	7,425	
Trade creditors	18,445	33,193	16,152	28,585	
Taxation	11,863	8,721	7,814	6,004	
Finance lease future obligations	9,113	12,529	9,113	12,529	
Dividends	3,669	3,062	3,669	3,062	
	59,581	73,622	53,223	66,297	
External obligations under finance leases					
Gross obligations payable within one year	2,576	3,855	2,576	3,855	
between one and five years	8,663	10,708	8,663	10,708	
in five years or more	—	778	—	778	
	11,239	15,341	11,239	15,341	
Less future finance charges	2,126	2,812	2,126	2,812	
	9,113	12,529	9,113	12,529	

	The Group		The Bank		
	1994	1993	1994	1993	
25. Deferred taxation					
Taxation deferred by timing differences in accordance with the basis of accounting set out in Accounting Policy (g)					
Short term differences	822	166	958	390	
Losses and other timing differences	(11,386)	(12,165)	(3,176)	(4,153)	
Capital allowances on fixed assets	2,709	2,475	2,709	2,475	
Capital allowances on assets leased to customers	16,033	16,974	2,079	2,340	
	8,178	7,450	2,570	1,052	
The movement in the deferred taxation balance has all taken place through the Profit and Loss Account	728	(2,973)	1,518	(1,501)	
The potential amount of deferred taxation not provided in the financial statements (all in respect of accelerated capital allowances) is	6,871	7,275	891	1,003	

The potential liability on rolled over gains amounts to **£922,000** (1993-£922,000).

all amounts
are stated
in £'000
unless
otherwise
indicated

	The Group		The Bank	
	1994	1993	1994	1993
26. Subordinated liabilities				
£75,000,000 Subordinated Floating Rate (minimum 5½%) Notes redeemable not later than July 2000	75,000	75,000	75,000	75,000
£6,033,000 Convertible Subordinated Unsecured Floating Rate Loan Stock 2003	6,033	6,033	-	-
	81,033	81,033	75,000	75,000

Subordinated Floating Rate Notes 2000

The notes are an unsecured obligation of the Bank and in the event of the winding up of the Bank, the claims of noteholders will be subordinated in right of payment to the claims of depositors and other creditors of the Bank.

The Bank may redeem all or part of the notes on any interest payment date at their principal amount.

Unless previously redeemed, the Bank will redeem the notes at the principal amount on the interest payment date falling in July 2000.

Subordinated Floating Rate Loan Stock 2003

The loan stock is an unsecured obligation of Unity Trust Bank p.l.c. and, in the event of the winding up of Unity Trust Bank p.l.c. the claims of the holders will be subordinated in right of payment to the claims of depositors and other creditors of Unity Trust Bank p.l.c.

Each £100 nominal of loan stock is convertible at the holder's option during May in any of the years 1993 to 2003 into 85 'C' ordinary shares of £1 each.

During the year loan stock amounting to £90 was converted into 76 'C' ordinary shares of £1 each.

All loan stock not previously purchased, converted or repaid, will be repaid on 30th June 2003.

27. Called up share capital

	1994	1993
Authorised	105,000	105,000
600,000,000 ordinary shares of 5p each	30,000	30,000
75,000,000 9.25% non-cumulative irredeemable preference shares of £1 each	75,000	75,000
	105,000	105,000
Issued		
600,000,000 ordinary shares of 5p each	30,000	30,000
60,000,000 9.25% non-cumulative irredeemable preference shares of £1 each	60,000	60,000

All the issued share capital has been allotted, called up and fully paid.

The preference shares carry the right to a fixed non-cumulative preferential dividend on the capital for the time being paid up, at the rate of 9.25% per annum exclusive of any associated tax credit. The dividends are payable on 31st May and 30th November each year and take priority over dividends to any other class of share in the capital of the Bank.

On a return of capital on a winding up, the assets of the Bank shall be applied in repaying the preference share capital in priority to any payments to the holders of any other class of shares in the capital of the Bank. The amount receivable by the holders of the preference shares shall be the greater of the capital paid up or the average quoted price during the three months immediately preceding the date of the notice convening the meeting to consider the resolution to wind up.

The holders of the preference shares shall have the right to vote at a general meeting of the Bank only if and when, at the date of the notice convening the meeting, the dividend due to them has been in arrears for six months or more or if a resolution is to be proposed at the meeting abrogating or varying their rights or privileges or for the winding up of the Bank or other return of capital and then only on that resolution.

	Bank and subsidiary undertakings	Associated undertakings	Group	Bank	<i>all amounts are stated in £'000 unless otherwise indicated</i>
28. Reserves					
Share premium account at 8th January 1994	8,814	—	8,814	8,814	
At 14th January 1995	8,814	—	8,814	8,814	
Profit and loss account at 8th January 1994	52,241	(722)	51,519	44,549	
Retentions for the year	9,360	(154)	9,206	8,697	
At 14th January 1995	61,601	(876)	60,725	53,246	

The cumulative amount of goodwill arising on the acquisition of subsidiary undertakings, net of goodwill attributed to subsidiary undertakings disposed of, is **£247,000** (1993-£247,000).

29. Memorandum items, foreign exchange and interest rate contracts

The tables below give, for the Group and Bank, the nominal principal amounts, credit equivalent amounts and risk weighted amounts of off balance sheet transactions. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The credit equivalent and risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle agreement on capital adequacy.

	1994				1993	
	Contract amount	Credit equivalent amount	Risk weight	Risk weighted amount	Contract amount	Risk weighted amount
Group:						
Contingent Liabilities						
Acceptances and endorsements	81,406	81,406	85.5%	69,602	42,047	31,037
Guarantees and irrevocable letters of credit	67,243	61,232	97.4%	59,640	69,675	59,734
	<u>148,649</u>			<u>129,242</u>	<u>111,722</u>	<u>90,771</u>
Bank:						
Contingent Liabilities						
Acceptances and endorsements	81,406	81,406	85.5%	69,602	42,047	31,037
Guarantees and irrevocable letters of credit	66,991	61,106	97.4%	59,517	69,372	59,583
	<u>148,397</u>			<u>129,119</u>	<u>111,419</u>	<u>90,620</u>
Group:						
Other commitments						
Documentary credits and short-term trade-related transactions	1,333	267	100%	267	510	88
Forward asset purchases and forward deposits placed	5	5	100%	5	71,106	13,746
Undrawn note issuance and revolving underwriting facilities	11,338	5,669	90.6%	5,136	25,607	12,208
Undrawn formal standby facilities, credit lines and other commitments to lend:						
1 year and over	1,341	671	100%	671	1,124	562
less than 1 year (ii)	1,736,382	—	—	—	1,714,213	—
	<u>1,750,399</u>			<u>6,079</u>	<u>1,812,560</u>	<u>26,604</u>

all amounts
are stated
in £'000
unless
otherwise
indicated

	1994				1993	
	Contract amount	Credit equivalent amount	Risk weight	Risk weighted amount	Contract amount	Risk weighted amount
29. Memorandum items, foreign exchange and interest rate contracts (continued)						
Bank:						
Other commitments						
Documentary credits and short-term trade-related transactions	1,333	267	100%	267	510	88
Forward asset purchases and forward deposits placed	5	5	100%	5	71,106	13,746
Undrawn note issuance and revolving underwriting facilities	11,338	5,669	90.6%	5,136	25,607	12,208
Undrawn formal standby facilities, credit lines and other commitments to lend:						
1 year and over	1,341	671	100%	671	1,124	562
less than 1 year (ii)	1,735,581	-	-	-	1,714,213	-
	<u>1,749,598</u>			<u>6,079</u>	<u>1,812,560</u>	<u>26,604</u>
Group and Bank:						
Exchange rate contracts (iii) hedging	366,173	5,001	20.5%	1,025	413,721	765
Interest rate contracts (iii) hedging	1,594,750	25,782	20.7%	5,337	859,958	5,815
trading	201,460	932	20.0%	186	560,975	127
				<u>6,548</u>		<u>6,707</u>
Replacement cost:						
exchange rate contracts	1,209				957	
interest rate contracts	21,811				22,467	
	<u>23,020</u>				<u>23,424</u>	

Notes:

- Under the Basle agreement, credit equivalent amounts, obtained by applying credit conversion factors, are risk weighted according to counterparty.
- Undrawn loan commitments which are conditionally cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.
- For interest rate and exchange rate contracts, the credit equivalent amount is the total replacement cost, obtained by marking all contracts with a positive value to market, plus an additional amount which relates to potential future credit exposure. Contracts with a negative value to market have not been netted against replacement cost.

*all amounts
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in £'000
unless
otherwise
indicated*

30. Consolidated cash flow statement

(i) Reconciliation of Group profit on ordinary activities before taxation to net cash outflow from operating activities

	1994	1993
Group profit on ordinary activities before taxation	27,511	17,789
Share of losses from associated undertakings	232	38
Investment income	(30,334)	(17,949)
Increase in prepayments and accrued income	(4,436)	(5,337)
Increase in accruals and deferred income	25,127	5,265
Interest payable in respect of subordinated liabilities	4,600	5,046
Effect of exchange rate movements	(1,605)	(1,776)
Provisions for bad and doubtful debts	31,977	38,444
Notional tax on lease earnings equalisation	(55)	(90)
Depreciation	10,712	10,653
Amortisation of investments	1,377	1,049
Loss/(profit) on sale of investments	1,261	(1,145)
Profit on sale of fixed assets	(221)	(741)
Net cash flow from trading activities	66,146	51,246
Increase/(decrease) in deposits by banks	15,799	(80,873)
(Decrease)/increase in customer accounts	(137,137)	261,825
Increase/(decrease) in debt securities in issue	20,750	(22,500)
Increase in loans and advances to banks	(115,878)	(150,828)
Increase in loans and advances to customers	(89,906)	(55,782)
Increase in trading debt securities	(94,986)	(23,913)
Net movement of other assets and other liabilities	(18,587)	6,205
Net decrease/(increase) in cheques in course of collection	51,590	(33,177)
Net cash flow from operating activities	(302,209)	(47,797)
Analysis of changes in cash and cash equivalents during the year		
At 8th January 1994	324,528	512,142
Net cash outflow before adjustments for the effect of foreign exchange rate changes	(347,093)	(189,390)
Effect of foreign exchange rate changes	1,605	1,776
At 14th January 1995	(20,960)	324,528

Analysis of the balances of cash and cash equivalents

	1994	1993	Change in year
Coin and bank notes and amounts with central banks	37,822	31,813	6,009
Money at call and short notice	505,569	881,017	(375,448)
Advances from banks	(564,351)	(588,302)	23,951
	(20,960)	324,528	(345,488)

The Group is required to maintain balances with the Bank of England which at 14th January 1995 amounted to **£7,524,000** (1993-£6,441,000).

Money at call and short notice includes Treasury bills and other eligible bills, loans and advances to banks and loans and advances to customers with an original maturity of less than three months.

Advances from banks includes debt securities in issue, and deposits by banks, with an original maturity of less than three months.

all amounts
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unless
otherwise
indicated

31. Segmental analysis

The Group's activities have been segmented between retail banking, other financial services (mainly leasing, advisory services, correspondent banking and fund management) and Unity Trust group.

	1994	1993
Profit before taxation:		
Retail banking	87,275	74,747
Other financial services	12,042	12,627
	99,317	87,374
Shared costs:		
Centralised service and processing	(45,391)	(42,867)
Management services and marketing	(22,182)	(19,463)
Profit before restructuring and service development costs	31,744	25,044
Unity Trust group and associates	517	270
Restructuring and service development costs	(4,750)	(7,525)
Profit before taxation	27,511	17,789
Gross assets:		
Retail banking	2,759,993	2,888,306
Other financial services	165,945	170,069
Unity Trust group	164,046	150,149
Group central assets	204,291	189,987
Total	3,294,275	3,398,511
Net assets:		
Retail banking	78,218	62,731
Other financial services	9,783	20,585
Unity Trust group	10,609	10,207
Group central net assets	67,751	63,431
Total	166,361	156,954

The segmental analysis for the year ended 8th January 1994 has been restated to reflect minor changes in the Bank's structure to enable direct comparison with the analysis for the year ended 14th January 1995.

Net assets are share capital, reserves and minority interest.

32. Directors' and Officers' Loans

The aggregate amounts outstanding at 14th January 1995 under transactions, arrangements and agreements made by authorised institutions within the Group with those who were directors (including connected persons) or officers of The Co-operative Bank p.l.c. during the year, and the number of persons concerned, were as follows:

	Aggregate amount outstanding	Number of persons
Directors		
loans	£149,498	7
quasi-loans	£11,563	10
Officers		
loans	£1,142,562	27
quasi-loans	£34,547	22

The above information concerning officers is presented only in respect of those officers within the meaning of the Banking Act 1987.

	1994		1993		<i>all amounts are stated in £'000 unless otherwise indicated</i>
	Land and buildings	Computer and other equipment	Land and buildings	Computer and other equipment	

33. General**(i) Operating lease commitments**

At the year end, annual commitments under non-cancellable operating leases were:

Group:

Expiring

within one year

between one and five years

in five years or more

270	239	1,422	260
698	218	635	754
8,067	—	7,183	—
9,035	457	9,240	1,014

Bank:

Expiring

within one year

between one and five years

in five years or more

270	215	1,422	241
698	218	635	641
7,765	—	6,964	—
8,733	433	9,021	882

(ii) Lease and similar finance arrangements

Amounts financed during the year under finance leases were **£Nil** (1993-£3,260,000).

(iii) Management and agency services

The Group has investment management business.

(iv) Average number of employees

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

	1994	1993
Managers	473	474
Clerical staff	3,331	3,397
	3,804	3,871

(v) Concentration of exposure

The group's exposure is almost entirely within the United Kingdom. The following industry concentrations of gross advances before provisions and suspended interest are considered significant.

	1994	1993
Distribution, hotels and catering	397,068	418,323
Business and other services	634,257	617,237
Home loans	91,136	104,320
Personal	582,578	543,947

Report of the Auditors to the members of The Co-operative Bank p.l.c.

We have audited the financial statements on pages 27 to 51.

Respective responsibilities of directors and auditors

As described on page 26 the Bank's directors are responsible for the preparation of 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 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 Bank and of the Group as at 14th January 1995 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
Manchester
5th April 1995

	1994 £'000	1993 £'000	1992 £'000	1991 £'000	1990 £'000
Balance Sheet					
Share Capital	90,000	90,000	90,000	90,000	90,000
Reserves	69,539	60,333	57,338	56,422	63,420
Shareholders' Funds	159,539	150,333	147,338	146,422	153,420
Minority Interests	6,822	6,621	6,458	6,381	7,287
Subordinated Liabilities	81,033	81,033	81,034	81,034	81,034
Deposits	2,875,655	2,982,944	2,707,105	2,437,853	2,621,121
Tangible Fixed Assets	44,518	40,307	32,930	32,503	32,071
Loans and Advances	2,488,213	2,739,854	2,636,775	2,408,172	2,597,227
Debt Securities	564,216	382,883	225,863	159,194	182,498
Profitability					
Profit/(loss) Before Taxation	27,511	17,789	9,845	(5,972)	(14,872)
Profit/(loss) After Taxation	18,048	11,091	6,270	(2,629)	(5,128)
Dividends	8,641	8,035	5,535	5,535	5,535
Retentions	9,206	2,955	622	(7,209)	(10,387)
Returns					
Profit/(loss) Before Taxation/ Average Shareholders' Funds	17.76%	11.95%	6.70%	(3.98%)	(9.38%)
Earnings Per Share (5p equivalent)	2.03p	0.91p	0.10p	(1.20p)	(1.73p)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Co-operative Bank p.l.c. will be held at the registered office, 1 Balloon Street, Manchester M60 4EP at 1.30 pm on Tuesday, 2nd May 1995 for the following purposes.

1. To receive the Notice convening the meeting.
2. To receive the Report of the Directors, the Chairman's Statement, the Operating and Financial Review and to adopt the Financial Statements for the year ended 14th January, 1995 together with the Auditors' Report thereon.
3. To accept the following recommendations of the Board:
 - (a) **Non-cumulative Irredeemable Preference Shares**
 - (i) That the payment of a dividend of 4.625p per £1 share on 30th November, 1994 be confirmed; and
 - (ii) that a dividend of 4.625p per £1 share be declared and paid on 31st May, 1995 to the registered holders as at 5th May 1995 providing a dividend rate of 9.25 per cent per annum and making a total distribution of £5,550,000.
 - (b) **Ordinary Shares**
That a final dividend of 0.5p per ordinary share at a total cost of £3,000,000 be declared and paid.
4. To re-elect the following Directors who retire by rotation, in accordance with the provisions of Article 105:
 - (i) G. R. Bennett
 - (ii) M. A. Firth
 - (iii) G. L. Fyfe
 - (iv) G. J. Melmoth
5. To declare that the retiring Auditors, KPMG, Chartered Accountants, are re-appointed Auditors to the Company until the conclusion of the next General Meeting at which accounts are laid and to authorise the Directors to determine their remuneration.
6. To conduct any other competent business.

Registered Office:

1 Balloon Street
Manchester M60 4EP,
Reg. No. 990937 (England)

Registrar:

The Registrar
The Co-operative Bank p.l.c.
P.O. Box 473
80 Cornhill
London EC3V 3QP
Tel: 0171-283 9494

By Order of the Board
R. K. Jones,
Secretary
7th April 1995

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not also be a member. Further information on Preference Shareholders' voting rights is given below.

Preference Shareholders – Extract from Articles of Association 4(B)(c)

Voting and General Meetings

- (i) The holders of the Preference Shares shall be entitled to receive notice of and to attend (either in person or by proxy) all General Meetings of the Company. The holders of the Preference Shares shall have the right to speak and vote at a General Meeting of the Company only if and when, at the date of the notice convening such meeting, the fixed preferential dividend payable to them respectively has been made in arrears for six months or more after any date fixed for payment thereof, or if a resolution is to be proposed at such meeting abrogating or varying any of the respective rights or privileges attaching to their shareholding or for the winding-up of the Company or other return of capital and then on such resolution only.
- (ii) Whenever the holders of the Preference Shares are entitled to vote at a General Meeting of the Company upon any resolution proposed at such meeting, on a show of hands every holder who (being an individual) is present in person or (being a corporation) is present by a representative or by proxy shall have one vote and, on a poll, shall have one vote in respect of each Preference Share registered in the name of such holder.