ANNUAL REPORT & FINANCIAL STATEMENTS 1995

Purpose *beyond* Profit

The CO-OPERATIVE BANK

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The photograph in the bottom right hand corner of our front cover was supplied by Christian Aid.
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What are commercial organisations for? In the past, the answer might have been considered self-evident: the purpose of business was the single-minded pursuit of profit.

But it's increasingly clear that, in the twenty-first century, the most successful organisations are likely to be those with a wider perspective; those that recognise their responsibilities not only to their shareholders, but also to everyone who holds a stake in their business – their customers; staff and suppliers; the local communities they serve; and society as a whole.

One such organisation is The Co-operative Bank. Over the past three years, our customers' Ethical Policy has enabled us to differentiate ourselves strongly from other banks. But in 1995, we went on to demonstrate how, in an industry beset with uncertainty, our clearly defined mission makes us ideally placed to gain a sustainable competitive advantage in every area of our business – from our innovative use of technology, and the commitment of our staff, to the exceptional quality of the service and products we offer our customers.

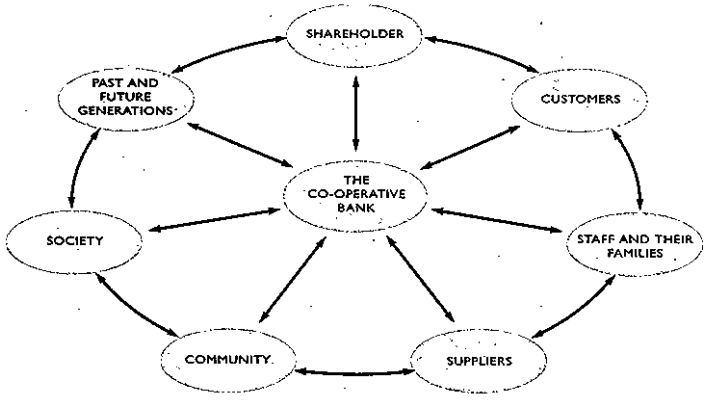
In short, in recording another outstandingly successful year, we proved that it pays to have a purpose beyond profit.

a stake in *our future*

When it was announced in 1992, our Ethical Policy put The Co-operative Bank one step ahead of current thinking. Now, along with other leading companies, we're playing our part in developing the concept of 'stakeholding' in business.

Already, we have identified seven groups who have a right to expect something from us, and towards whom we acknowledge our responsibilities. These are: our shareholder (the Co-operative Wholesale Society, and its members); our customers; our staff and their families; our suppliers; the communities we serve; society as a whole; and past and future generations.

The next step is to measure and codify precisely how the Bank can best achieve a balance in serving the interests of all these stakeholding groups; and we intend to publish a report setting out in detail how we are going to meet this important challenge.



We will adopt a balanced position with all stakeholders.

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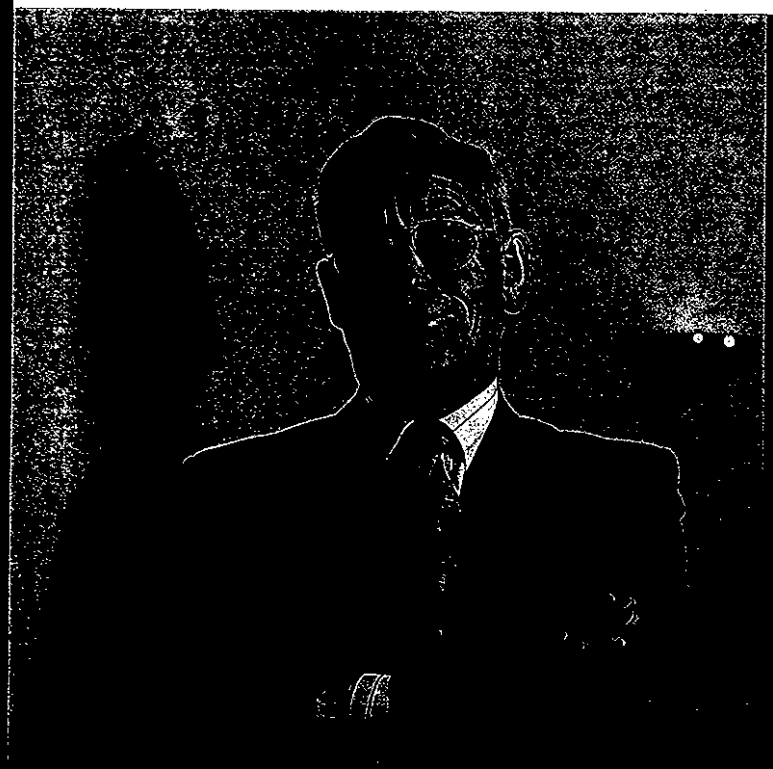


The Co-operative Bank has established a distinctive presence in the market that its larger competitors cannot easily replicate.

The consistent trend of improving annual performance in recent years continued in 1995. Pre-tax profits of £36.7 million were £9.2 million (34%) higher than the previous year. Bad debts were lower whilst operating income continued to grow steadily.

During December 1995, two capital note issues were completed within the Bank's Medium Term Euro-Note programme. The resulting Risk Asset Ratio of 13.3% provides ample scope to progressively grow the business in the coming years whilst maintaining superior capital ratios.

The Bank has established a distinctive presence in the market that its larger competitors cannot easily replicate. Superior products, a high quality customer service and availability 24-hours a day, is proving to be very popular with existing and new customers in the Personal sector whilst the Corporate sector has pioneered Business Direct, the first telephone banking service for small and medium-sized enterprises in the UK. Promotional activity was increased significantly in 1995 and the benefits in terms of incremental income will arise in future years.

The commitment to superior customer service remains paramount. The Bank already operates the largest telephone banking facility in the UK. Development has continued on integrating this facility in the most efficient manner with automated and manned high street outlets and ATM's. I was particularly pleased that the influential and independent MORI surveys of the banking industry showed The Co-operative Bank as having the highest level of customer satisfaction of the High Street banks in December 1995 given the rapid expansion seen throughout the year.

The Bank's past success and encouraging future prospects are a tribute to the dedication of all the staff. Their initiative, conduct and commitment have been key to the consistent year-on-year improvement in profitability and to this Bank's ability to establish its unique, distinct character.

The financial service industry is highly competitive and is undergoing massive change. In this environment the most focused, fittest players will prosper irrespective of their size. The Co-operative Bank has established a strong platform to increase share in its chosen market segments and is well placed to prosper through organic growth.

TOM AGAR , CHAIRMAN

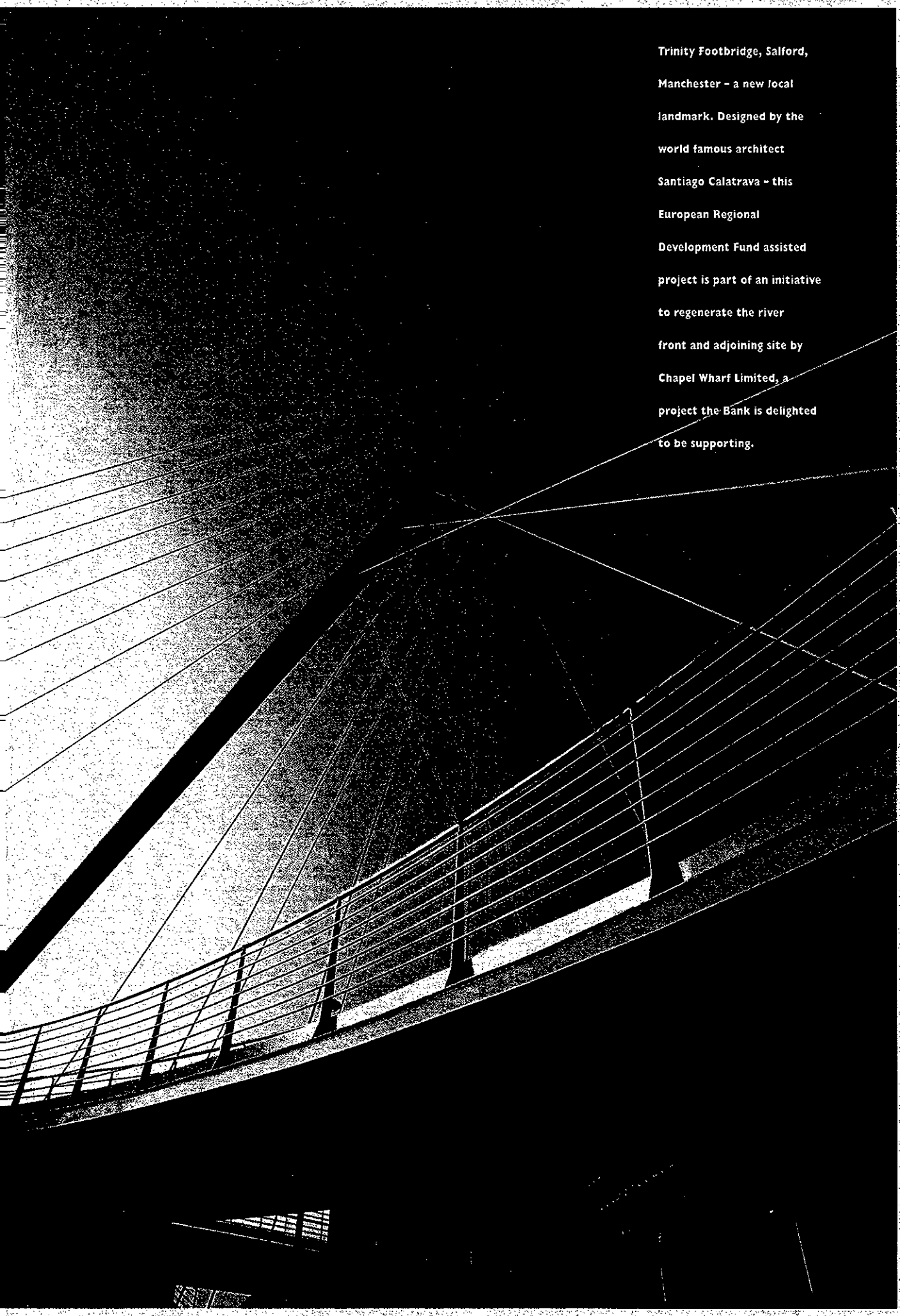
In 1995, the Bank achieved record pre-tax profits for the second consecutive year. It also reinforced its platform for organic growth in the future by increasing its regulatory capital, by continuing to enhance balance sheet liquidity and by leveraging the Bank's distinctive market position. New business promotion activity was increased and the Bank continued to develop its customer sales and service infrastructure.

Profits before tax of £36.7 million were £9.2 million higher than last year, an increase of 34%. Earnings attributable to shareholders were £23.1 million, 30% higher than last year. The improvements in profits arose from bad debt provisions which were £9.3 million lower and from a solid increase of £11.6 million in operating income. Expenses increased by £10.9 million and included the additional cost of accelerated business development programmes which will generate incremental income in future years.

Operating income rose by £11.6 million with both net interest and non-interest income growing by 5%. The increase in net interest arose from higher savings and loan balances which more than offset the effect of a reduction of 0.3% in the overall net interest margin. Retail deposits have grown consistently in recent years and now comfortably exceed retail loan balances. In 1995, average current account and savings balances of £1.9 billion were 24% higher than last year whereas retail loan balances of £1.6 billion increased by 10%. As a result, average wholesale borrowings were £60 million lower and wholesale placements were £185 million higher than last year. Although an increase in customer deposits contributes to lower overall margins, in the current competitive environment there is, of course, no credit risk on deposits and the record numbers of new customers in 1995 also represent future cross-selling opportunities.

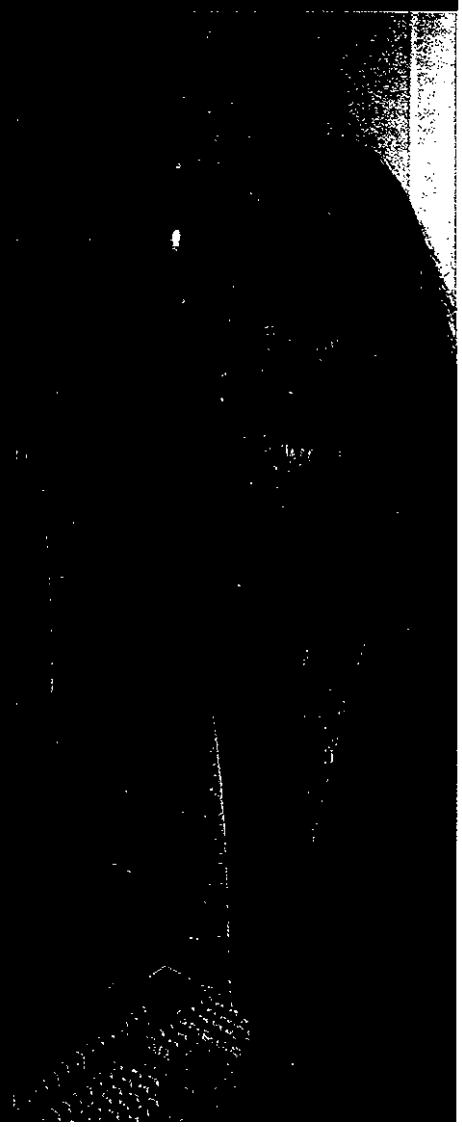
Non-interest income of £104 million in 1995 was £4.7 million higher than last year, reflecting steady growth of 5% in Visa commission and higher treasury and insurance commission.

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



Trinity Footbridge, Salford, Manchester – a new local landmark. Designed by the world famous architect Santiago Calatrava – this European Regional Development Fund assisted project is part of an initiative to regenerate the river front and adjoining site by Chapel Wharf Limited, a project the Bank is delighted to be supporting.

Business Customer Services - offering business customers all the benefits of 24-hour telephone banking. Pictured are Jayne Culshaw and Elaine Roberts.



In addition, in 1994 there were non-recurring net costs of £2 million, mainly arising from the sale of investments.

The separate reporting of dealing profits is defined by statutory regulations and is restricted to gains/losses on foreign exchange and trading securities excluding interest earned. The majority of the Bank's wholesale dealing activities are in the sterling money markets and revenue is mainly reflected in net interest income.

Credit quality of both the Personal and Corporate loan portfolios continued to improve in 1995. Despite higher balances, the charge for bad debt provisions of £22.7 million was £9.3 million (29%) lower than last year. Provisions represented 1.4% of average retail loan balances compared to 2.1% last year. Personal sector provisions of £14 million were well within the levels predicted by the credit score systems and, as such, are reflected in product prices. Hence, in future, Personal provisions are likely to increase in line with the growth in lending and income. Credit quality in the Corporate sector has been stable throughout the year and provisions may well continue to improve if economic recovery continues.

Expenses of £190 million increased by £10.9 million (6%) in 1995. Business developments, marketing and promotional programmes were increased to build on proven successes and market opportunities.

The Bank has attained a distinctive market position that establishes an affinity with well-defined groups of customers in both the Personal and Corporate sectors. The Ethical Stance, combined with superior products and customer service, makes for a winning formula. Award winning advertising has resulted in heightened awareness and, in 1995, promotional costs were increased by 45%. This has doubtless been a key factor in creating record levels of new business which will generate incremental revenue in future years.

The Bank is acknowledged as operating the largest telephone banking facility in the country. Its distribution and service

network was also enhanced during 1995. Telephone banking is integrated by links to 158 automated and manned outlets and, combined with access to funds through 8,500 LINK ATM's, delivers personal customer service 24 hours a day, 7 days a week.

The Bank participates in an independent survey of customer satisfaction within the banking industry, conducted by MORI. In 1995 the Bank was again assessed by its customers as having the highest standards of service amongst the High Street banks.

In October 1995 the convenience of telephone banking was extended to smaller corporate customers with the launch of Business Direct. It is most appealing to the large population of smaller commercial customers whose prime need is for management of credit balances.

Product and service innovation is inherent in the Bank's culture. Its comprehensive range of credit and debit cards has been tailored to the needs of individual customer segments. With its Free for Life Visa Gold Card the Bank is the largest issuer of Gold Cards in Europe. In 1995 an additional Gold Card was introduced, tailored to the needs of customers who prefer to delay settling their outstanding balance. Similarly, the innovative Pathfinder account was a major contributor to the growth in retail deposits. Pathfinder is a high interest deposit account. It is accessed by global ATM's, telephone banking and electronic transfer.

The Bank has continued to strengthen its robust balance sheet. In December 1995 it issued £50 million perpetual subordinated debt and £75 million 10-year subordinated Floating Rate Notes. The original issue of Floating Rate Notes, redeemable in the year 2000, begin to amortise for regulatory capital purposes at the rate of 20% a year, starting in mid-1996; and the Bank will buy back the Notes if and when they become available. As a result of the new capital issues, the Bank is extremely well-capitalised, with a Risk Asset Ratio of 13.3% and a Tier 1 ratio of 7.4%, providing ample scope for the controlled balance sheet growth anticipated in the coming years.

In 1996 new liquidity regulations were introduced and apply to all major banks in the UK. This Bank's liquidity is substantially higher than the standards that are regarded as prudent by the Bank of England. Balance sheet stability and liquidity have been enhanced as retail deposits have increased at a faster rate than retail lending in recent years. In 1995, as outlined earlier, retail deposits grew by 24% and retail loans by 10%. As a result, average retail deposits exceeded loans by £270 million. The amount of liquid, highly-rated securities also increased during 1995 and includes £312 million in long-term, closed-end investment portfolios which generate a stable flow of income. Profits and losses arising from stock switching within these portfolios are amortised according to their maturity profile. At the 1995 year-end, profits of £12 million had been realised but not yet taken into the Profit and Loss Account.

Although competition will remain intense, the 1995 results indicate that the Bank has made solid progress in improving profitability and remains at the forefront of service and product innovation. The Co-operative Bank has established a solid platform for growth.

For many in our industry, 1995 was a year of extreme uncertainty, with possible mergers and fresh waves of redundancies seemingly always in the news.

In contrast, The Co-operative Bank enjoyed another highly successful 12 months, making significant progress in virtually every area of business, and once again recording a substantial increase in profits.

How do we explain this? It may sound simplistic, but we attribute everything we have achieved to a sense of common purpose. Unlike many organisations, we know what we stand for; we have a clearly defined mission; and, most important of all, it's shared by all who work for the Bank and the overwhelming majority of our customers.

We believe that the difference this makes is evident in everything we do, as we hope the following brief review of some of the year's major developments will demonstrate...

building our
business
on the
soundest
principles

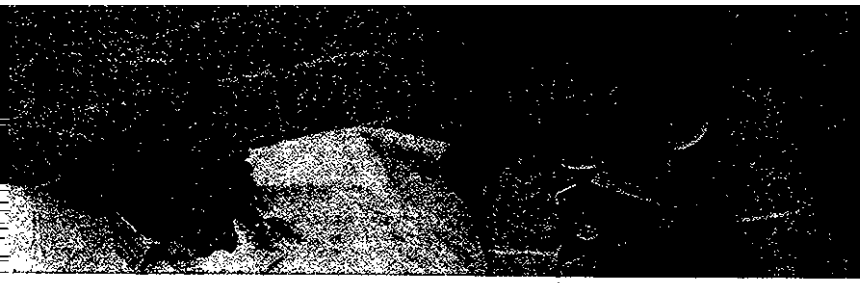
In 1995 phenomenal growth in retail deposits reflected our success in offering customers a new kind of banking relationship, based on shared values and two-way communication.

What do customers want from a bank? These days, with an ever wider choice of financial products and services available, there are many possible answers to that question.

But the most fundamental requirement remains the same as it has always been: most people want, above all, to feel complete confidence that their money is in the safest, and most trustworthy of hands.

In 1995, an impressive measure of our success in inspiring such confidence was provided by the phenomenal growth in the Bank's total retail deposits, both among personal and business customers.

How, specifically, do we account for this?



Marie Curie Cancer Care – to raise funds for the charity, and awareness of its work, we sold pin badges through all our branches, raising a total of well over £10,000.

Without doubt, our reputation for honest dealing and financial security can be traced back well over a century to our origins in the Co-operative Movement. But it's the way that we have built upon these firm foundations that has enabled us, over the last few years, to achieve such excellent results.

A bank with a genuine difference Following extensive consultation with our customers about how their money should, and should not be invested, our Ethical Policy has played a vital part in enabling us to establish ourselves as a bank with a genuine difference: one prepared to state plainly what it stands for, and what it won't stand for.

Our success in this respect reflects the fact that our published principles are part of our heritage. However, while our basic values are unchanging, our Ethical Policy hasn't stood still.

When we announced it in 1992, it was with the enthusiastic support of the vast majority of our customers. And, since then, it has been continuously reviewed to keep pace with their changing concerns, and to ensure that it retains their full endorsement – as demonstrated by the fact that, in 1995, some additional statements won the approval of over 90% of customers surveyed. (In addition, support for each of the existing statements had without exception increased.)

In short, we believe that our Ethical Policy has enabled us to offer customers a completely new kind of relationship with their bank; one based on trust, openness, and mutually agreed principles.

Needless to say, this gives us an enormous advantage in designing the kind of products and services that genuinely meet our customers' needs.

Building on trust to offer better ways to save In the savings arena, for example, our new Guaranteed Investment Bond, which offered security combined with an excellent rate of return, was one of the year's most notable successes, attracting a very large number of customers.

While Pathfinder, our innovative card-based savings account, also continued to make excellent headway, proving irresistible to customers wanting a good rate of interest together with instant access anywhere in the world, 24 hours a day.

And, of course, it isn't only savers who appreciate that combination of convenience and accessibility...

towards the *bank* of the *future*

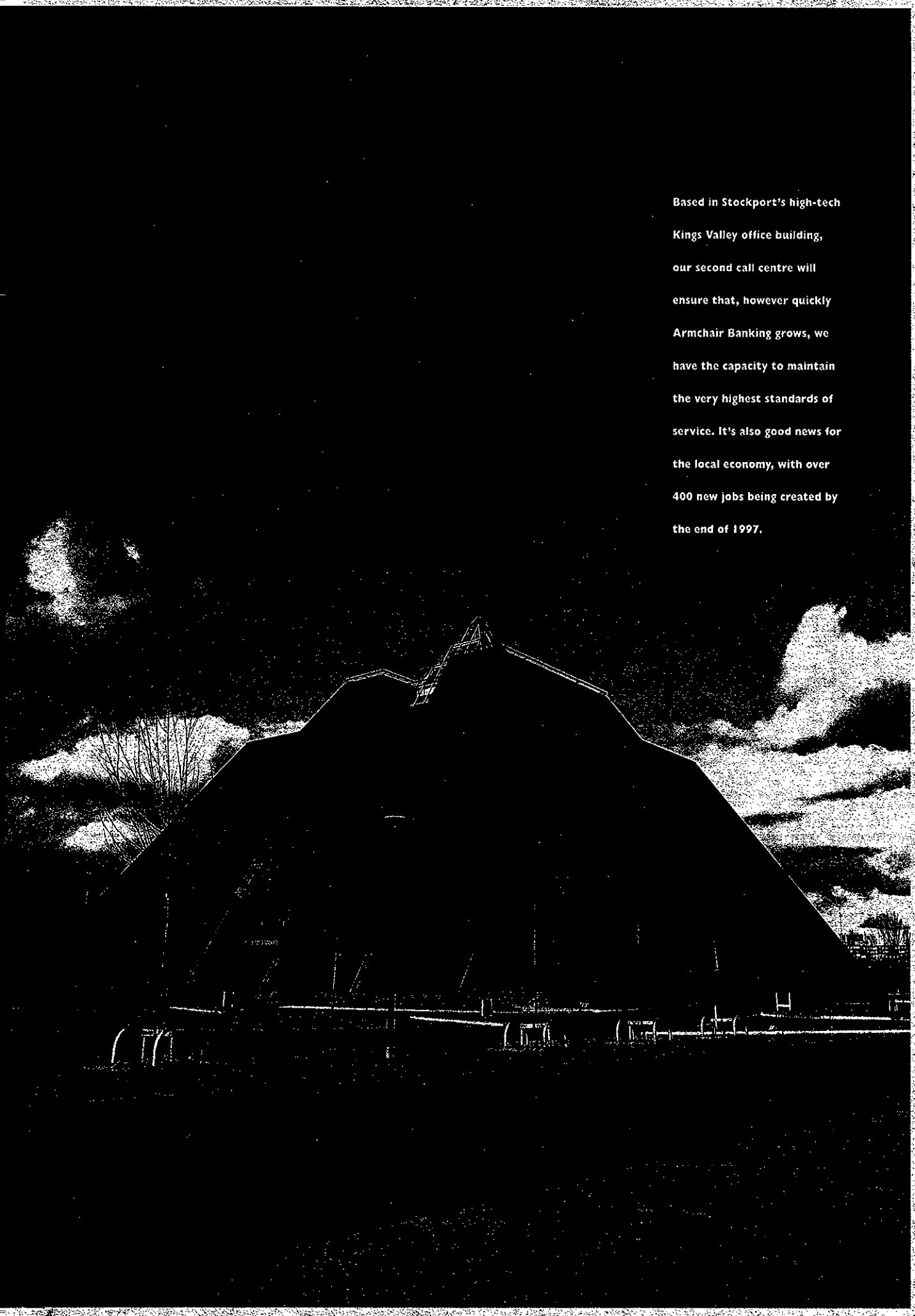
In 1995, our pioneering use of technology and innovative thinking enabled us to offer a range of products and services that not only meet our customers' needs today, but provide a foretaste of banking in the 21st century.

In recent years, The Co-operative Bank has consistently led the way in harnessing technology to make banking easier and less time-consuming for our customers. And with the pressure of many modern lifestyles increasing every day, there's no doubt that the demand for speed and convenience will continue to grow.

Our complete commitment to meeting this demand was perhaps best demonstrated in 1995 by the announcement of a second call centre for our Armchair Banking service, to be based in Stockport's high-tech Kings Valley office building, one of the North West's most distinctive landmarks.

Already, Armchair Banking is the UK's most widely used telephone banking service, with around 6 million calls handled at our centre in Skelmersdale last year. We confidently predict that – as more customers discover the benefits of conducting all their routine banking business over the phone – this number will double by the end of the century.

Bringing 24-hour banking to business customers Of course, saving time and increasing efficiency are no less important in business. Hence the launch in 1995 of Business Direct.



Based in Stockport's high-tech Kings Valley office building, our second call centre will ensure that, however quickly Armchair Banking grows, we have the capacity to maintain the very highest standards of service. It's also good news for the local economy, with over 400 new jobs being created by the end of 1997.

Research showed us that many of our business customers, particularly smaller companies, had very simple banking requirements – always remaining in credit, and therefore not needing complex advice on overdrafts and loans. This new service is specifically designed to offer this kind of customer the benefits of 24-hour telephone banking, at a remarkably low cost. In fact, because customers deal with us directly over the phone, we've been able to cut the cost of a typical transaction to around a third of what other banks charge. Not only that, but Business Direct customers also earn a healthy rate of interest on credit balances.

But what of corporate customers with more complex financial requirements? Naturally, they can call on the help and advice of our expert Relationship Managers. But we also offer Financial Director, a state of the art electronic banking system that enables customers not only to access all kinds of information, but to carry out a wide range of transactions – such as transferring money between accounts or around the world – without leaving the office.

Bankpoint, the shape of things to come Open 24 hours a day, 365 days a year, our Bankpoint outlets enable customers to manage their money in precisely the way that suits them best – without ever needing to enter a traditional branch again. By the end of the year, we had opened 31 fully automated Bankpoint kiosks and 37 staffed Bankpoint outlets (which also offer a 24-hour lobby service).

In addition, in April we were able to announce a further expansion of the LINK network, of which we were a founder member. This means that our customers now have access to their money via the UK's largest network, with no fewer than 8,500 cash machines throughout the country.

Which brings us, naturally, to the subject of plastic; the cards that are the key to fast, efficient modern banking. And here, too, we continued to set the pace in 1995.

Playing our cards right to serve our customers better Our Visa Gold Card – with its Free for Life guarantee, shared only by our Robert Owen Visa Card – remains the most successful in Europe.

While another continuing success in 1995 was our multi-faceted Visa Delta Payment Card - which is, in effect, three cards in one. It's a cash card, giving access to the LINK network; an 'electronic cheque', enabling our customers to make direct, paperless payments from their current accounts; and a £100 cheque guarantee card.

And it's not only our personal customers who appreciate the convenience of card-based banking. Our Visa Business Card helped many companies to improve their cash-flow, and reduce the paperwork involved in processing employees' expenses. And our new Business Banking Cash Card proved extremely popular with corporate customers – not only enabling them to draw cash via the LINK network, but also providing 24-hour access to all the facilities provided by our Bankpoint lobbies and kiosks. This includes the facility to contact our Business Customer Services by direct link telephone.

Committed to staying one step ahead So are we succeeding in our efforts to make life easier and more convenient for our customers? We're delighted to report that the answer is a resounding yes. Independent MORI polls consistently show that we have many more satisfied customers than any other High Street bank.

But, of course, there's no room for complacency. We're proud that we were one of the first banks to take up the challenge of technology on behalf of our customers; and, as further advances open up all kinds of exciting new possibilities, we're 100% committed to maintaining our position at the forefront of the field.

OUR FAST EXPANDING NETWORK OF OUTLETS

SCOTLAND
•▲ Glasgow

NORTHERN ENGLAND
•▲ Ashton
•• Barnsley
•• Blackburn
•• Blackpool
•• Bolton
•• Bradford
•▲ Bury
•▲ Cheadle
• Chesterfield
•▲ Chester le Street
•• Consett
•• Cramlington
• Crewe
••• Darlington
•▲ Didsbury
•• Doncaster
•• Durham
•▲ Formby
•• Grimsby
• Hartlepool
•• Hazel Grove
•• Hindley
•▲ Huddersfield
••• Hull
•• Leeds
•• Lincoln
•• Liverpool
•• Longbenton
•▲ Macclesfield
•■ Manchester Airport
•▲▲ Manchester
•• Manchester University
•▲ Meadowhall Shopping Centre
•• Middlesborough
••■ Newcastle Upon Tyne
•▲ North Shields
•▲ Oldham
•• Preston
•▲ Preston Royal Hospital
•▲ Rochdale
•• Rotherham
•• Salford University
••• Sheffield
•▲ Sheffield University
•• Skelmersdale
• St. Helens
•• Stockport
•• Stockton
••■ Sunderland
•■ Swinton
•• Wakefield
•• Warrington
•• Widnes
•• Wigan
•▲ Wilmslow
•• Worksop
•▲ York

CENTRAL ENGLAND
• Bedford
• Birmingham
•▲ Birmingham University
• Burton
••• Cambridge
•• Cannock
•• Coventry
••• Derby
• Dudley
•▲ Handsworth
•• Hanley
•• Kettering
••• Leicester
•• Mansfield
•■ Newcastle u Lyme
•▲ Northampton
•• Northampton, Nene College
••• Nottingham
•▲ Nuneaton
•• Peterborough
•• Stafford
•• Staffordshire University
•■ Stoke
•• Talke
•• Thurmaston
•• Toton
•▲ West Bromwich
•▲ Wolverhampton

WALES
• Aberdare
■ Blackwood
•▲ Bridgend
•■ Caerphilly
•■ Cardiff Airport
•▲• Cardiff
■ Chepstow
■ Cwmbran
•• Newport
■ Pontardawe
•▲ Pontypool
•■ Pontypridd
••■ Swansea
■ Tonypandy
■ Ystrad Mynach

SOUTHERN ENGLAND
•• Addlestone
• Basingstoke
• Brighton
• Bristol
•• Chatham
•• Chelmsford
•• Chingford
•• Colchester
•• Croydon
•• Dartford
• Exeter
•• Filton
•• Gloucester
•• Guildford
• Ipswich
• Kingston
•• Luton
• Norwich
•• Oxford
•• Plymouth
•• Portsmouth
•• Reading
•• Romford
•• Slough
•• Southampton
•• Southampton University
•• Southend
•• Sussex University
•• Swindon
■ Thurrock Lakeside Shopping Centre
•• Watford
■ Weymouth

LONDON
•• Brent Cross Mall
•▲ Canary Wharf
•▲ City Office, Cornhill
• Ealing
■• Heathrow Airport
•• Holborn
•• Islington
•• Lewisham
•• Stratford
•• Walthamstow
•• Westwood
• Wood Green
•▲ Woolwich

CHANNEL ISLANDS
•• Guernsey

PLANNED
•▲ Blackpool
•▲ Chester
•• Droylsden
•• Manchester, Portland Street
•• Manchester, St. Mary's Gate
•• Nynex Manchester Arena
•• Salford Quays
•• Stoke-on-Trent
•▲ Tamworth

■ BUSINESS CENTRES

NORTH
Durham & Teeside
Glasgow
Lancashire (Wigan)
Leeds
Liverpool
Manchester
Newcastle
South Yorkshire (Sheffield)

MIDLANDS
Birmingham
Derby
East Midlands (Nottingham)
Hanley
Leicester
Luton
Peterborough
Stafford
Wolverhampton

SOUTH
Bristol
Chelmsford
City & London
Dartford
Exeter
Solent (Portsmouth)
South Wales (Cardiff)
Thames Valley

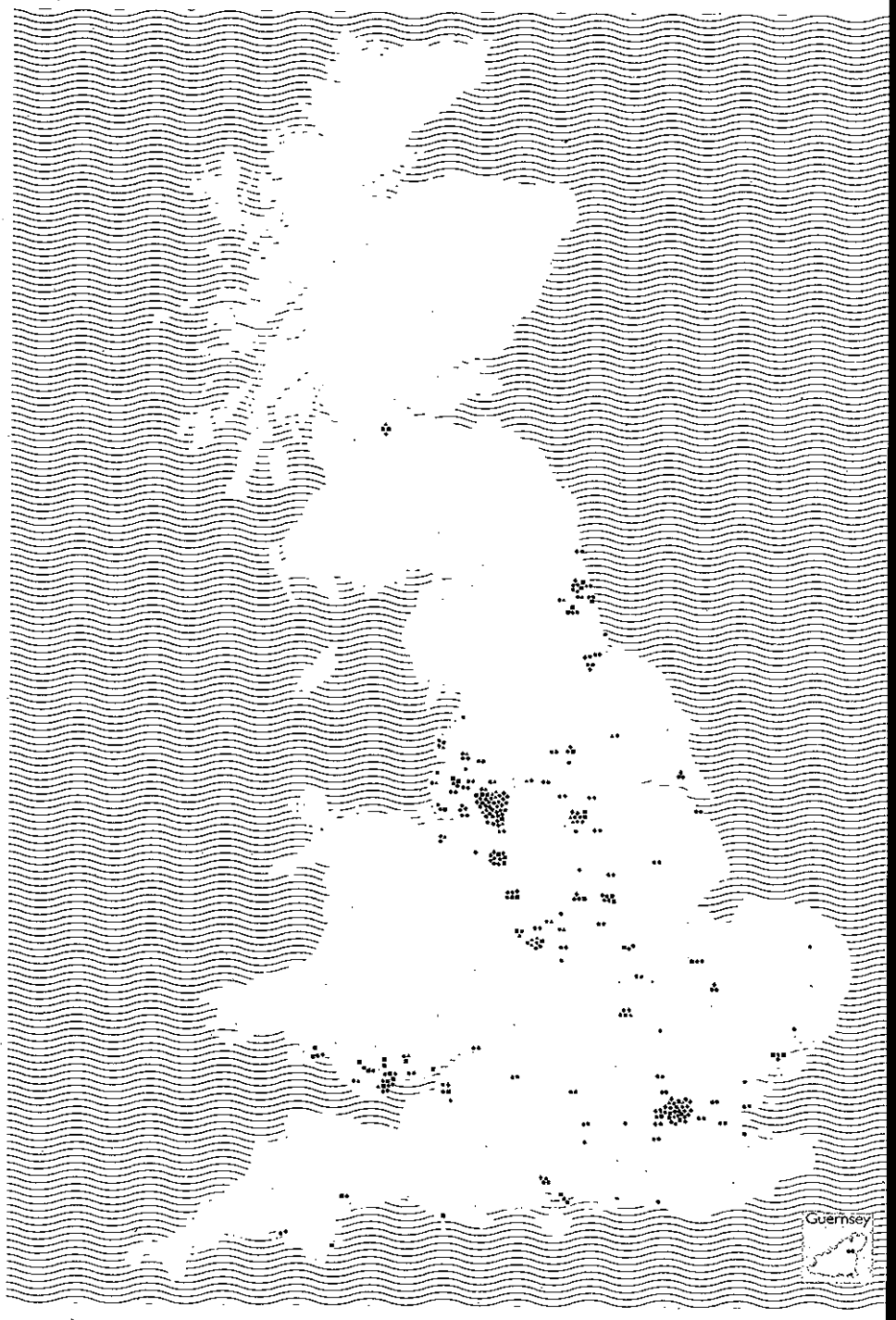
■ SMALL BUSINESS CENTRES

NORTH
Lancashire (Wigan)
Manchester
North East (Durham)
Yorkshire (Sheffield)

MIDLANDS
East Midlands (Nottingham)
North Midlands (Stafford)
South Midlands (Northampton)

SOUTH
East Anglia (Chelmsford)
London & South East (Croydon)
South Wales (Cardiff)
South West (Bristol)

CODES
• Branch
• LINK Cash Machine
■ Sub office
▲ Bankpoint Shop
◆ Bankpoint Kiosk
■ Business Centres and Small Business Centres



Business Direct – Press Campaign

Visa Gold and Robert Owen Credit Cards – Free for Life Press Campaign

Getting our message across

In 1995, we launched a new advertising campaign, using TV commercials to increase general awareness of The Co-operative Bank and other types of advertisements to inform customers and potential customers about specific products and services.

Needless to say, advertising is an expensive business; but there's no doubt whatever that, for us, it's money well spent. We are, as you've read, a bank with a genuine difference, and it's important to our success that we communicate what that difference is, as widely as possible and with maximum impact. Potential customers, in particular, need to understand not only what sets us apart in terms of what we stand for, but also why they're better off banking with us.

It works. The evidence shows that our advertising plays an important role in bringing in increasing numbers of new customers, as well as helping to build loyalty among existing ones.

National Television Campaign

In 1995, we demonstrated more clearly than ever, through our active involvement in the community, that a clear conscience is the best foundation on which to build a business.

a sense of *purpose* that *profits* everyone

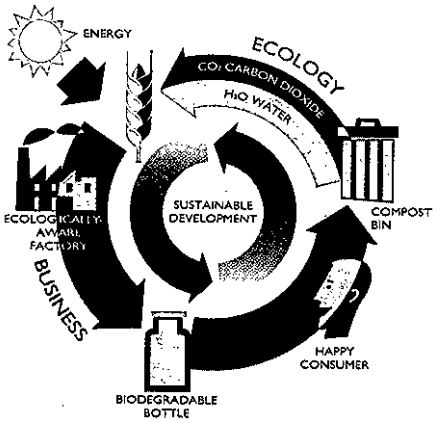
If there is a single point which this review of 1995 is intended to convey, then this is it: that for The Co-operative Bank, running a successful business and meeting our wider social responsibilities are not two distinct objectives that can be pursued independently of each other; they are both aspects of the same common purpose.

We genuinely believe that profitability and principles go hand in hand.

Nothing demonstrated this better in 1995 than the launch of the new National Centre for Business and Ecology, a project in which we will invest £1 million. Based at The University of Salford, the Centre offers high quality solutions-orientated advice to small and medium-sized businesses, at prices they can afford.

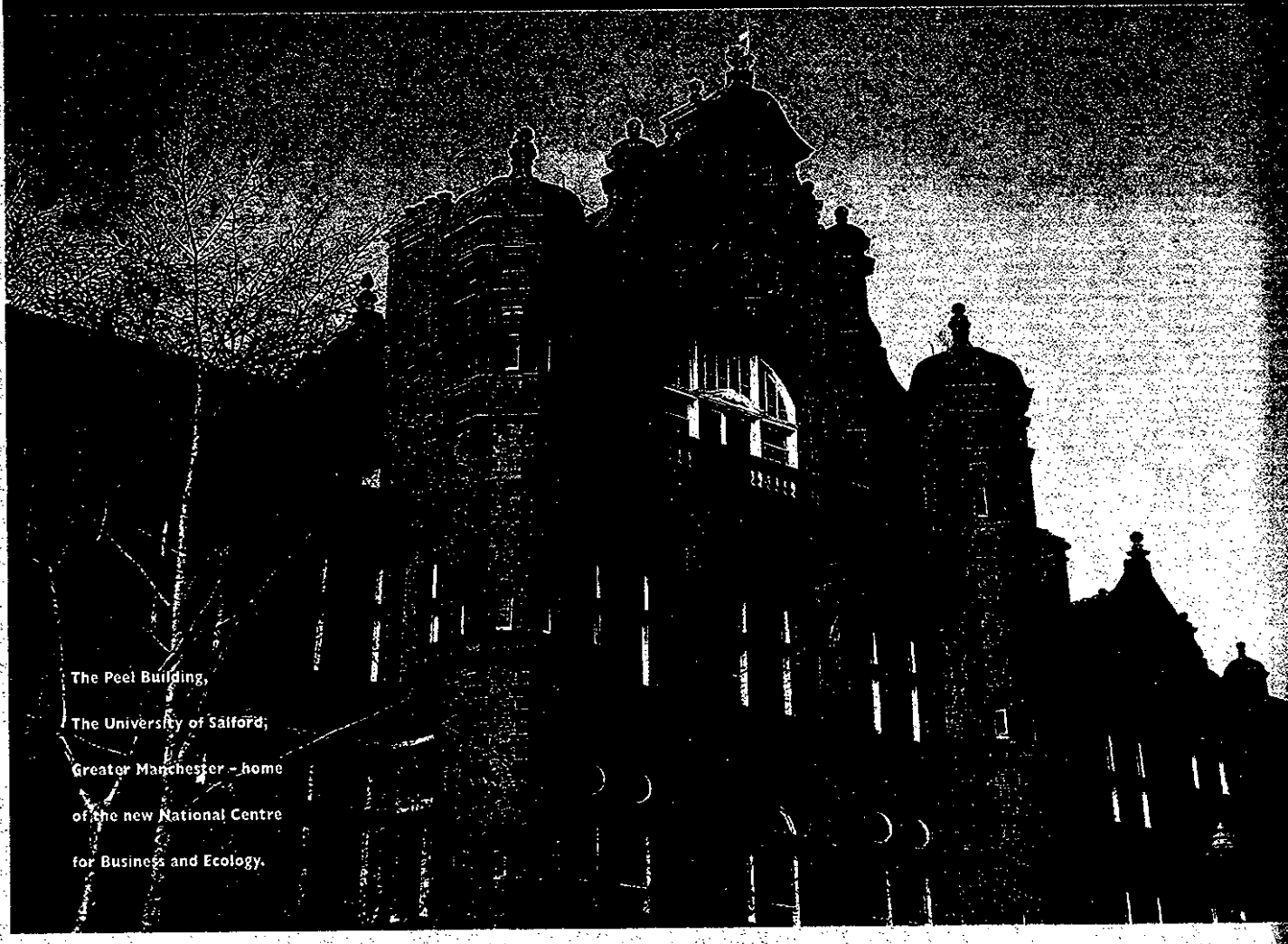
The thinking behind this exciting initiative is simple. We know, from an extensive research project carried out by The Manchester Metropolitan University and funded by the Bank, that very few small and medium-sized businesses have yet undertaken any form of environmental review. There are a number of reasons for this. But, from talking to our customers, we know that many would like to improve their performance in this area, but simply don't know where to start.

Drawing upon the combined world class expertise within all four Greater Manchester universities (The University of Manchester, The University of Salford, The Manchester Metropolitan University and UMIST), the Centre can provide practical advice



Linking business and ecology – how everyone can profit if businesses base their activities on an understanding of their ecological impact.

Accent Doors, a customer of the Bank and one of the first clients of the National Centre for Business and Ecology. Working with the NCBE, Accent are aiming to combine social responsibility with cost savings, by taking the lead in pursuing zero-emission spray processes. As well as reducing harmful volatile organic compounds, this will also give the company a valuable competitive advantage in environmentally-conscious European markets.



The Peel Building, The University of Salford, Greater Manchester – home of the new National Centre for Business and Ecology.

on everything from possible reductions in operating costs to the development of ecologically sound new products – with the emphasis on showing how what's good for the environment can also be good for business.

At the same time, an important part of the Centre's brief is to encourage our customers to consider the ecological impact of all their activities; to balance the needs of the planet, and of future generations, against the demands of the bottom line.

Customers Who Care In the Personal sector, our Customers Who Care scheme provides another excellent example of how a sense of social responsibility can profit everyone. Originally intended to run for just 12 months, it proved so popular that it was extended throughout 1995.

The reason for its popularity isn't hard to explain: the scheme enables our customers to support all kinds of worthy causes without it costing them a penny. For every £100 they spend using any Co-operative Bank Visa credit card, we make a contribution; and, each quarter, they have a chance to vote on how the money raised should be shared among nominated charities and other groups.

In this way, our caring customers have now raised a total of £636,200. Of this, around £130,000 has been divided among 700 local causes suggested by individual customers, with the remainder being shared between the following charities and groups:

Feed the Children	£52,500
Shelter	£50,500
NSPCC	£50,000
Save the Children	£47,500
Marie Curie Cancer Care	£28,500
Help the Aged	£26,250
National Association for Special Education Needs	£25,250
National Association of Hospices	£25,000
Cancer Relief Macmillan Fund	£24,200
Royal National Institute for the Blind	£23,750
The Royal Society for the Protection of Birds	£15,750
Friends of the Earth	£15,150
Amnesty International	£15,000
The Children's Society	£14,250
The Transplant Foundation	£14,250
Henshaw's Society for the Blind	£12,100
Scope	£10,500
Tusk Force	£10,000
Oxfam	£10,000
Missing Persons Helpline	£9,500
Age Concern	£8,550
League Against Cruel Sports	£7,200
The Terrence Higgins Trust	£5,700
Childline	£4,800
700 local causes	£130,000
Total raised	**£636,200**

Similarly, our Visa affinity cards have continued to go from strength to strength. The first, supporting The Royal Society for the Protection of Birds, was launched back in 1988, since when we have established ourselves as a major force in this market, with a range of 10 affinity cards. Especially pleasing was the performance of our new Oxfam card which, in its first full year, raised very nearly £200,000 for the charity.

Total contributions from Co-operative Bank affinity cards now come to well over £3 million; and the success of this scheme is further emphasised by our plans to launch two more in 1996, on behalf of Save the Children and The Hospice Movement.

Strengthening our alliance with Christian Aid Our unique alliance with Christian Aid entered its second highly successful year. In May, as we had 12 months earlier, we contributed towards the cost of promotional materials for Christian Aid Week. This enabled the charity, celebrating its 50th anniversary, to channel more of the money raised directly into its important projects helping some of the world's poorest people towards greater self-reliance. Our branches, and many individual members of staff, also threw themselves wholeheartedly into all kinds of fund-raising activities.

Charity, of course, begins at home; and, since for well over a century Greater Manchester has been the home of The Co-operative Bank, we make it a high priority to give our active support to charities and voluntary organisations based in the area, as well as a wide variety of other local initiatives.

Working to improve our local environment Our concern for the environment, for example, is reflected by our involvement in groups such as Sustainability North West and Groundwork Manchester, of which we were founder members; and also Salford Trafford Groundwork Trust.

We're equally active in our efforts to help boost the local economy and improve the quality of life for people throughout the region – hence our role within umbrella organisations like The North West Business Leadership Team and The North West Partnership. While, closer to the ground, we also give strong support to groups working to bring new jobs and new opportunities to some of the most deprived communities within the area – for example, The Agency for Economic Development, the Moss Side & Hulme Business Support Group and the East Manchester Partnership.

Another illustration of our concern with social issues is our contract with The Princess Royal Trust for Carers to supply funding, in partnership with Manchester City Council, for the new Manchester Carers Centre, which exists to provide people with information on where they can obtain practical help and support with all kinds of family and health matters.

We are also very proud to have contributed to Manchester's successful bid for the 2002 Commonwealth Games, and to have supported the City of Salford, one of our customers, in an advisory role on the development of the Lowry Centre, which has been chosen as a Millennium project.

The new roof garden at our Customer Service Centre in Skelmersdale – recently opened for the benefit of all staff and maintained by Midstream, a company finding employment for disadvantaged members of the local community.

Support for Skelmersdale... Our 'second home' in the North West is Skelmersdale, where our Customer Service Centre is based – and here, too, we are doing all we can to fulfil our social responsibilities. As well as continued support for Project Skelmersdale, which provides funds and practical help for good causes in the area, we gave our backing to Midstream, a company recently set up to find employment for disadvantaged members of the West Lancashire community; and also to T P Training, an

Lesley Garrett performing at the opening ceremony of the International Co-operative Alliance centennial celebrations, staged at the Nynex Manchester Arena.

organisation working to improve the abilities, efficiency and motivation of the local working population.

...and for our staff Even closer to home, we continued in 1995 to develop new initiatives designed to make life easier for our own staff, and help them find greater fulfilment in their working lives.

A good example was our involvement with The Prince's Trust Volunteers. This scheme is designed specifically for young people drawn from many different backgrounds, to help develop their skills and broaden their horizons by taking part in a range of community-based activities. During the year, volunteers from the Bank found themselves abseiling; building paths; taking part in stress counselling; decorating a Community Centre; taking handicapped youngsters for a tour of Old Trafford...and finding the experience not only valuable, but thoroughly enjoyable.

Making our contribution to the Co-operative Movement Last year was also an important one for the Co-operative Movement, being the 100th Anniversary of the International Co-operative Alliance. We were proud to play a leading role in the celebrations, which took place in the magnificent new Nynex Manchester Arena.

Our involvement included hosting a seminar and dinner and other sessions for the ICA Global Women's Committee, whose role is to promote the objectives of the Alliance, with a particular emphasis on encouraging women to take part in all aspects of co-operative development and policy making.

Our commitment to co-operation was further underlined by our continuing support for The UK Co-operative Council, which enjoyed a highly successful year, both in promoting the principles of co-operation and in drafting proposals for a UK Co-operatives Act.

To sum up, in 1995 we put our money where our mouth is; and more of it than ever before. In fact, our total contribution to the community, in all its many and varied forms, amounted to no less than £1.195 million, representing over 3% of our record annual profits before tax of £36.7 million.

All in all, then, 1995 was another outstanding year for The Co-operative Bank, in all kinds of ways.

Our phenomenal growth in retail deposits was directly attributable to our success in offering a new kind of banking relationship, based on genuine trust and shared values.

Our innovative use of technology and the sheer quality of our service not only made life easier for our customers, but also reflected our complete determination to remain at the forefront of developments within our industry.

And our continuing involvement in all kinds of social initiatives and community activities bore out the belief - first expounded almost 200 years ago by the visionary thinker Robert Owen, and passed down to us by our predecessors in the Co-operative Movement - that a successful business can help to ensure it remains successful by acknowledging its wider responsibilities.

In short, in 1995 we proved that a sense of purpose can profit everyone.

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 encouraging 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 and should not 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 actively seek and support the business of organisations which promote the concept of 'Fair Trade' i.e. trade which regards the welfare and interest of local communities around the world.

It will encourage business customers to take a pro-active stance on the environmental impact of their own activities, and will invest in companies and organisations that avoid repeated damage of the environment.

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

It will welcome suppliers whose activities are compatible with its Ethical Policy.

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 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.

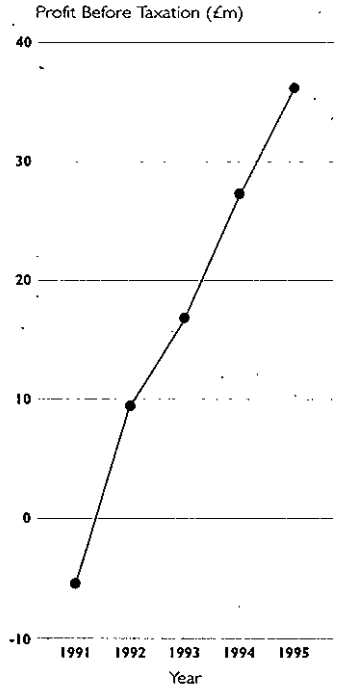
It will not engage in business with any farm or other organisation engaged in the production of animal fur.

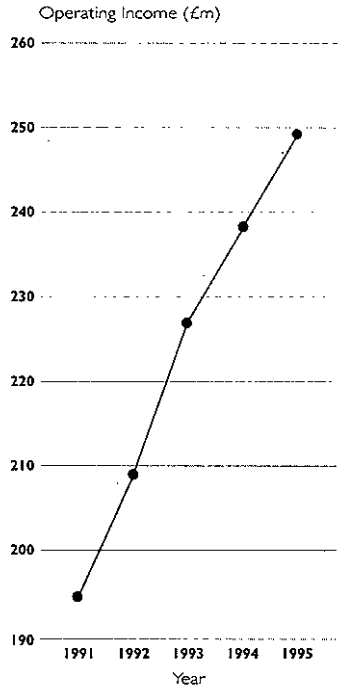
It will not support any organisation involved in blood sports which involve the use of animals or birds to catch, fight or kill each other, for example fox hunting and hare coursing.

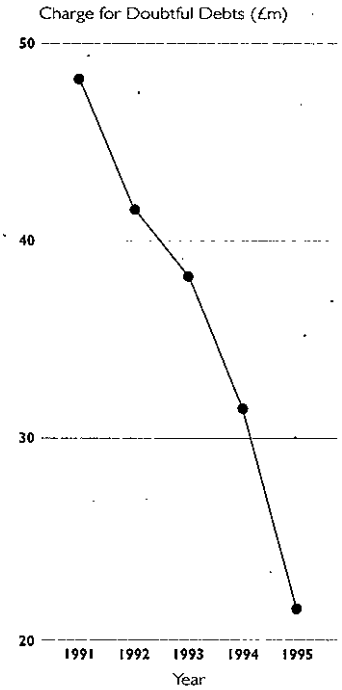
In addition, there may be occasions when the Bank makes decisions on specific business, involving ethical issues not included in this Policy.

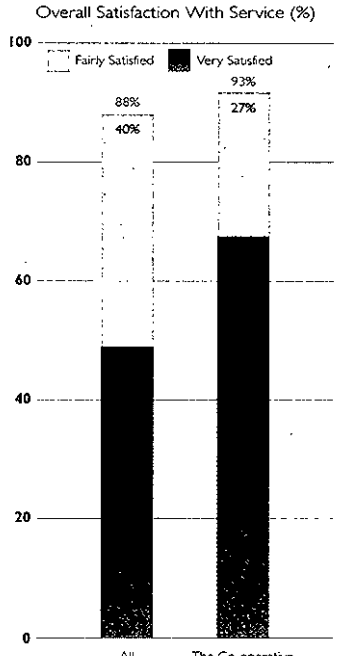
We will regularly re-appraise customers' views on these and other issues and develop our ethical stance accordingly.

In 1995, the Bank achieved record pre-tax profits for the second consecutive year. It also reinforced its platform for organic growth in the future by increasing its regulatory capital, by continuing to enhance balance sheet liquidity and by leveraging the Bank's distinctive market position.

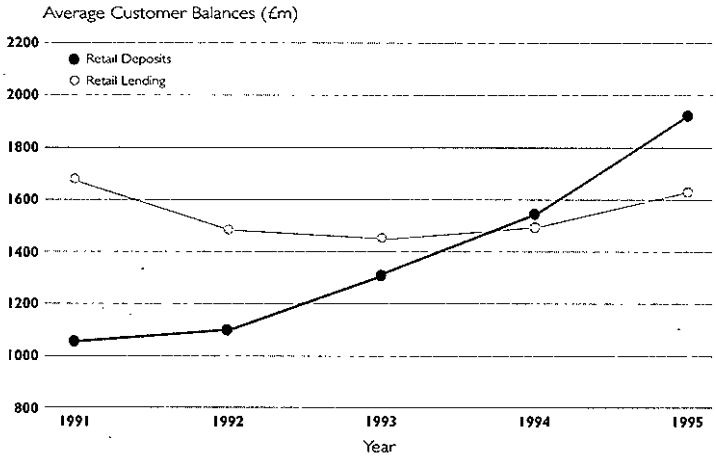








SOURCE:
MORI Financial Services. Sample size 11642 adults aged 16+ interviewed from July to December 1995 in Great Britain



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 B.A. Econ. (Hons), Barrister-at-Law.

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 13th January 1996.

Results and Dividends

The profit on ordinary activities before taxation was **£36,736,000** (1994–£27,511,000), an increase of £9,225,000 on 1994. After preference dividends of **£5,535,000** the profit attributable to the ordinary shareholders amounted to **£17,597,000**. The directors recommend a final dividend of **0.67p** per ordinary share which amounts to **£4,000,000**, leaving **£13,597,000** to be transferred to reserves as shown in the consolidated profit and loss account on page 33.

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 13th January 1996 and future developments.

Outlets

At 13th January 1996 the Bank had **158** outlets, **290** 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 27.

In accordance with the Articles of Association, Messrs. Agar, Hughes, Skinner and Woodward 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	
	1995	1994
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:

	1995	1994
	'C' Shares of £1 each	'C' Shares of £1 each
G. J. Melmoth	**226**	226

There have been no changes in the directors' shareholdings between the end of the financial year and 3rd April, 1996.

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, 64, Secretary of Lincoln Co-operative Chemists Limited and former Chief Executive of Lincoln Co-operative Society Limited.

Graham Bennett, 45, Chief Executive of Portsea Island Mutual Co-operative Society Limited.

Robert Burlton, 47, Chief Executive of Oxford, Swindon and Gloucester Co-operative Society Limited.

Lennox Fyfe, 54, Chief Executive of Midlands Co-operative Society Limited.

Trevor Hughes, 53, Chief Executive of Associated Co-operative Creameries Limited.

Graham Melmoth, 58, CWS Chief Executive Designate.

Alan Prescott, 53, CWS Controller, Finance and Property.

David Skinner, 64, 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 the recommendations of the Code, 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.

Internal Financial Controls

The Directors' responsibilities in respect of the accounting records, the safeguarding of assets and the prevention and detection of fraud and other irregularities are set out elsewhere in this report. As a result of these responsibilities, the directors have established the Bank's system of internal financial control which is designed to provide reasonable, but not absolute, assurance regarding:-

- the safeguarding of assets against unauthorised use or disposition and;
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The key procedures that have been established and are designed to provide effective internal financial control are:-

Control environment – The directors have put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. Human resource policies and procedures are documented and controlled from a central department to set standards for the competence and integrity of staff at all levels. A mission statement and ethical policy are published and communicated throughout the organisation. Responsibilities are assigned to appropriately qualified and knowledgeable management and staff.

Risk management – The major risks faced by the Bank are well understood and are regularly assessed. Committees have been established to address specific risks. This includes the strategic management of interest rate risk by the Bank's Asset and Liability Committee of Executive Directors' and the Group Treasurer.

Information systems – The Bank has a comprehensive system of financial reporting. The five year corporate plan and annual budget are approved by the Board and divisional operating plans are approved by the executive directors. Actual results for the Group and individual business units are prepared four weekly and compared against budget. Significant variances are examined by the Board at group level, by the executive directors at divisional level, and by the executive directors and senior management at business unit level and remedial action taken. Certain key risk areas such as Treasury operations and lending excesses are reported and examined daily by senior management and reported to Board or executive director committees monthly.

Control procedures – Policies, procedures and process documentation are maintained by all business units. In particular, the major risk areas identified are subject to rigorous controls including authorisation limits, reconciliation, segregation of duties, regular review and reporting, and data processing controls. Large capital projects, large lending or provisioning and risk limits require board review and approval.

Monitoring systems – There are reviews by management, which can include advice from external consultants where necessary, and the Board receives reports on key risk areas. In addition, the control framework is monitored by Internal Audit whose work is focused on the areas of greatest risk to the group and who report regularly to the executive directors and the Audit Committee. The external regulators monitor controls and call for reports as required.

The Audit Committee has reviewed the effectiveness of the Bank's internal financial control system for the period from 1st July 1995 in relation to the 'Criteria for assessing effectiveness' described in 'Internal control and financial reporting' issued by the Cadbury Internal Control Working Group. This involved considering a report summarising the results of the Internal Audit high level controls review and other work conducted by Internal Audit.

As might be expected in a group of this size and complexity, a small number of internal financial control irregularities occurred during the period under review. These were identified on a timely basis and appropriate actions taken. None of these irregularities in internal financial control have resulted in any material losses which would require disclosure as recommended by the guidance issued by the Cadbury Internal Control Working Group.

Going Concern

The financial statements have been 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.

The auditors have confirmed that in their opinion: with respect to the directors' statements on internal financial control above, and going concern above, the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' statement above appropriately reflects the Bank's compliance with the other paragraphs of the Code 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 either the Bank's system of internal financial control or corporate governance procedures, or on the ability of the Bank to continue in operational existence.

Staff

The Bank and its subsidiary undertakings employed **3,737** persons at 13th January 1996 (1994–3,816). The weekly average number of persons was **3,790** (1994–3,804) and their aggregate remuneration for the year was **£62,326,000** (1994–£62,340,000).

The Bank continues to involve its managers and staff in the development of its business. The Bank prepared its five year Corporate Plan during 1995. This process began with a Group Conference for managers and thereafter involved managers from all areas preparing a robust, comprehensive plan through to the Millennium. It also involved a review of organisation culture and values based on fundamental Co-operative values.

The Bank continues to relate individual reward to performance, thus ensuring that staff share in its prosperity. During 1995 it introduced a Profit Related Pay Scheme approved by the Inland Revenue and staff which allowed for payments to staff against improved profit performance. This scheme augmented existing performance related schemes.

Employees with Special Needs

The Bank's policy is to give careful consideration to applications for employment from persons with special needs, 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 persons with special needs and persons who develop special needs whilst in the Bank's employment.

Donations

During the year, the Group made donations of **£597,000** (1994–£594,000) 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 **£255,000** (1994–£381,000) in respect of the "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 **£598,000** (1994–£536,000) 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.

Aggregate Contributions

As a result of the above two schemes the Bank made a total contribution of **£1,195,000** (1994–£1,130,000) towards the needs of local communities and society in general, representing over 3% of our record annual profits of £36.7 million before tax.

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 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

Advances Committee
T. Agar
G. R. Bennett
W. J. Marper
G. J. Melmoth
W. A. Prescott
T. J. Thomas
M. J. Woodward

Auditors

Our auditors KPMG have indicated that a limited liability company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly a resolution is to be proposed at the Annual General Meeting for the appointment of KPMG Audit Plc as auditors of the Bank.

By Order of the Board
R. K. Jones, Secretary
3rd April 1996

NON-EXECUTIVE DIRECTORS

The Chairman and the other non-executive Directors receive no remuneration, have no pension arrangements, incentive schemes or share option arrangements.

EXECUTIVE DIRECTORS

Basic salaries and benefits

The basic salaries and benefits entitlements are determined by the remuneration committee which consists of the Chairman and three non-executive Directors. The basic salaries are set after the job has been assessed under the Hay job evaluation process and compared to similar-sized posts in comparable organisations in the financial sector.

Service contracts

All existing Executive Directors, except the Managing Director, who has a service contract which provides for a period of notice of 24 months, are employed under service contracts which provide for periods of notice or termination of twelve months or less.

Pension scheme

All Executive Directors are members of The Co-operative Bank Pension Scheme. This is a pension scheme of the defined benefit type. This provides benefits based on final pensionable pay related to length of service. Normal retirement age is 60 and the scheme provides a pension of two-thirds of pensionable pay at normal retiring age after completion of 40 years of pensionable service.

The scheme is non-contributory and the Bank currently contributes 15% of pensionable pay into the pension scheme.

In addition, special contributions of 10% of salary were agreed for Messrs. Thomas, Marper and Lewis with effect from 1st October 1995 as a move towards equalising the Bank's approach to pension benefits for Executive Directors. Action had been taken in previous years to enhance benefits for M. J. Woodward and M. A. Firth.

Incentive scheme

The Bank operates an Executive Directors Incentive Scheme. The present scheme commenced in 1994 and is set to run until the end of 1996 when it will be reviewed by the Remuneration Committee. The scheme is based on the Group's return on shareholders' funds in the financial year in question. The return on shareholders' funds is defined as the pre-tax profit less the preference dividend expressed as a percentage of the ordinary share capital and reserves at the commencement of the financial year.

No payment is made if the return on shareholders' funds is below 17.5%. Should this threshold be exceeded the payment will be made as a percentage of basic salary. The percentage will be determined by multiplying the percentage return on shareholders' funds by 1.8 and deducting 24 from the product.

A 30% return on shareholders' funds produces a payment of 30% of basic salary. Any payments due under the incentive scheme are capped at 30% of basic salary.

Payment will be made annually immediately following publication of the audited financial statements for the year.

The Bank operates no other incentive schemes for executive directors.

Share options

The Bank does not operate a share option scheme.

Appointments outside the Bank

Executive Directors can accept appointments from sources outside the Bank, with the consent of the Board, which will be forthcoming if it considers the appointment beneficial to the interests of the Bank. Payments received from such appointments are passed on to the Bank.

for the year ended 13th January 1996

	Notes	1995 (52 weeks) £'000	1994 (53 weeks) £'000
Interest receivable			
Interest receivable and other income arising from debt securities		**59,485**	35,836
Other interest receivable and similar income		**245,163**	217,610
		304,648	253,446
Interest payable		**(158,542)**	(114,320)
Net Interest Income		**146,106**	139,126
Dividend income	2	**21**	189
Fees and commissions receivable		**114,581**	114,569
Fees and commissions payable		**(12,775)**	(14,106)
Dealing profits		**1,666**	1,189
Other operating income/(losses)		**253**	(2,749)
Operating Income		**249,852**	238,218
Administrative expenses			
Staff costs	3	**(80,176)**	(83,890)
Other		**(97,929)**	(84,259)
Depreciation and amortisation	20	**(11,635)**	(10,712)
		(189,740)	(178,861)
		60,112	59,357
Provisions for bad and doubtful debts	15	**(22,700)**	(31,977)
Provisions against fixed asset investments	17	**(150)**	–
Losses from associated undertakings		**(526)**	(232)
Operating profit		**36,736**	27,148
Profit on sale of property		**–**	363
Profit on Ordinary Activities before Taxation	4	**36,736**	27,511
Taxation on profit on ordinary activities	7	**(13,233)**	(9,463)
Profit on Ordinary Activities after Taxation		**23,503**	18,048
Minority interests		**(371)**	(201)
Profit for the Financial Year	8	**23,132**	17,847
Dividends (includes amounts attributable to non-equity shareholders)	9	**(9,535)**	(8,641)
Retained Profit for the Year	29	**13,597**	9,206
Earnings per share	10	**2.93p**	2.03p

(i) Movements in profit and loss account reserves are shown in note 29 on page 54.

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

The notes on pages 38 to 59 form part of these financial statements

at 13th January 1996	Notes	1995 £'000	1994 £'000
Assets			
Cash and balances at central banks		**33,255**	37,822
Treasury bills and other eligible bills	12	**55,507**	–
Loans and advances to banks	13	**905,749**	698,510
Items in the course of collection from other banks		**115,946**	105,711
Loans and advances to customers	14	**1,974,232**	1,789,703
Debt securities	16	**712,455**	564,216
Equity shares	17	**954**	880
Interests in associated undertakings	18	**311**	590
Tangible fixed assets	20	**52,367**	44,518
Other assets	21	**20,920**	13,752
Prepayments and accrued income		**51,876**	38,573
Total assets	11	**3,923,572**	3,294,275
Liabilities			
Deposits by banks	22	**404,343**	602,285
Items in the course of transmission to other banks		**3,752**	8,650
Customer accounts	23	**2,891,110**	2,273,370
Debt securities in issue	24	**107,305**	49,500
Other liabilities	25	**48,193**	50,931
Accruals and deferred income		**66,354**	53,967
Provisions for liabilities and charges			
Deferred taxation	26	**17,280**	8,178
Subordinated liabilities	27	**204,906**	81,033
Minority interests		**7,193**	6,822
Called up share capital	28		
Ordinary shares		**30,000**	30,000
Preference shares (non-equity)		**60,000**	60,000
Share premium account	29	**8,814**	8,814
Profit and loss account	29	**74,322**	60,725
Shareholders' funds		**173,136**	159,539
Total liabilities	11	**3,923,572**	3,294,275
Memorandum items	30		
Contingent liabilities			
Acceptances and endorsements		**44,141**	81,406
Guarantees and assets pledged as collateral security		**62,156**	67,243
		106,297	148,649
Commitments			
Other commitments		**2,023,404**	1,750,399
		2,023,404	1,750,399

Approved by the Board on 3rd April 1996 and signed on its behalf by:

T. Agar, *Chairman*

T. J. Thomas, *Managing Director*

The notes on pages 38 to 59 form part of these financial statements

	Notes	1995 £'000	1994 £'000	at 13th January 1996
Assets				
Cash and balances at central banks		**33,050**	37,640	
Treasury bills and other eligible bills	12	**55,507**	–	
Loans and advances to banks	13	**905,749**	617,267	
Items in the course of collection from other banks		**115,512**	105,365	
Loans and advances to customers	14	**1,903,355**	1,717,663	
Debt securities	16	**586,672**	528,456	
Equity shares	17	**946**	527	
Interests in associated undertakings	18	**17**	17	
Shares in group undertakings	19	**1,157**	1,157	
Tangible fixed assets	20	**50,999**	43,896	
Other assets	21	**17,922**	15,655	
Prepayments and accrued income		**47,136**	34,211	
Total assets	11	**3,718,022**	3,101,854	
Liabilities				
Deposits by banks	22	**404,881**	605,717	
Items in course of transmission to other banks		**3,735**	8,634	
Customer accounts	23	**2,740,530**	2,133,025	
Debt securities in issue	24	**107,305**	49,500	
Other liabilities	25	**41,921**	44,589	
Accruals and deferred income		**51,900**	30,759	
Provisions for liabilities and charges				
Deferred taxation	26	**2,838**	2,570	
Subordinated liabilities	27	**198,873**	75,000	
Called up share capital	28			
Ordinary shares		**30,000**	30,000	
Preference shares (non-equity)		**60,000**	60,000	
Share premium account	29	**8,814**	8,814	
Profit and loss account	29	**67,225**	53,246	
Shareholders' funds		**166,039**	152,060	
Total liabilities	11	**3,718,022**	3,101,854	
Memorandum items	30			
Contingent liabilities				
Acceptances and endorsements		**44,141**	81,406	
Guarantees and assets pledged as collateral security		**62,005**	66,991	
		106,146	148,397	
Commitments				
Other commitments		**2,022,828**	1,749,598	
		2,022,828	1,749,598	

Approved by the Board on 3rd April 1996 and signed on its behalf by

T. Agar, *Chairman*

T. J. Thomas, *Managing Director*

The notes on pages 38 to 59 form part of these financial statements

	1995 £'000	1994 £'000
Profit for the financial year	**23,132**	17,847
Total recognised gains and losses for the year	**23,132**	17,847

GROUP RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £'000	1994 £'000
Profit for the financial year	**23,132**	17,847
Dividends	**(9,535)**	(8,641)
Net increase in shareholders' funds	**13,597**	9,206
Shareholders' funds at beginning of year	**159,539**	150,333
Shareholders' funds at end of year	**173,136**	159,539

The notes on pages 38 to 59 form part of these financial statements

for the year ended 13th January 1996

	Notes	1995 (52 weeks) £'000	1994 (53 weeks) £'000
Net cash inflow/(outflow) from operating activities	31	**357,517**	(302,209)
Returns on investments and servicing of finance			
Investment interest received		**39,683**	28,137
Ordinary dividends paid		**(3,000)**	(2,500)
Preference dividends paid		**(5,550)**	(5,550)
Loan stock interest paid		**(5,479)**	(4,478)
Net cash inflow from returns on investments and servicing of finance		**25,654**	15,609
Taxation			
United Kingdom corporation tax paid		**(3,890)**	(5,616)
Investing activities			
Purchase of investments		**(1,225,580)**	(621,580)
Sale of investments		**949,522**	582,595
Purchase of tangible fixed assets		**(18,902)**	(17,060)
Sale of tangible fixed assets		**402**	1,318
Investment in associated undertakings		**(74)**	(150)
Net cash outflow from investing activities		**(294,632)**	(54,877)
Net cash inflow/(outflow) before financing		**84,649**	(347,093)
Financing			
Issue of fixed rate perpetual subordinated notes		**(49,638)**	–
Issue of subordinated floating rate notes		**(75,000)**	–
Issue costs		**765**	–
Net cash inflow from financing		**(123,873)**	–
Increase/(decrease) in cash and cash equivalents	31	**208,522**	(347,093)
		84,649	(347,093)

The notes on pages 38 to 59 form part of these financial statements

1(a) Basis of consolidation and accounting date

(i) The financial statements of the group relate to the 52 weeks to 13th January 1996 (corresponding figures for the previous year, 53 weeks to 14th January 1995). Since the group accounting date is virtually co-terminous with the calendar year 1995 the financial year's figures are headed 1995 and the corresponding figures for the previous year are headed 1994. The financial statements are prepared on a historical cost basis in accordance with the special provisions of Part VII of the Companies Act 1985 relating to Banking Groups, applicable accounting standards and Statements of Recommended Accounting Practice issued by the British Bankers' Association and the Irish Bankers' Federation.

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 33.3 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

	1995 (52 weeks)	1994 (53 weeks)
2. Dividend income		
Income from equity shares	**21**	189

3. Staff costs	1995 (52 weeks)	1994 (53 weeks)
Wages and salaries	**62,326**	62,340
Social security costs	**4,743**	4,793
Other pension costs	**8,379**	8,279
Severance payments and relocation costs	**–**	4,750
Other staff costs	**4,728**	3,728
	80,176	83,890

4. Profit on ordinary activities before taxation	1995 (52 weeks)	1994 (53 weeks)
Is stated after:		
(i) Income:		
Aggregate amounts receivable, including capital repayments, under finance leases, hire purchase and conditional sale contracts	**38,727**	38,862
Income from listed investments	**28,872**	22,090
Profits/(losses) on securities dealing	**324**	(147)
Profits/(losses) on disposal of investment securities	**1,957**	(1,261)
(ii) Charges:		
Interest payable in respect of subordinated liabilities	**6,237**	4,600
Hire of computers, equipment and vehicles		
operating lease rentals	**1,240**	2,075
interest payments on finance leases	**220**	238
depreciation on finance leases	**885**	922
Other operating lease rentals	**9,035**	9,497
Auditors' remuneration – parent company **£126,000** (1994–£140,000)	**227**	235

The auditors' remuneration for non-audit work from The Co-operative Bank p.l.c. and its subsidiary undertakings was **£173,000** (1994–£127,000).

all amounts are stated in £'000 unless otherwise indicated

	Basic Pay £	Benefits in Kind £	Performance Related Pay £	Sub Total £	Pension Contributions £	1995 Total £	1994 Total £
5. Emoluments of directors							
T. J. Thomas (Highest paid director)	**178,000**	**6,082**	**53,400**	**237,482**	**30,705**	**268,187**	232,629
M. A. Firth	**98,000**	**9,091**	**29,400**	**136,491**	**14,455**	**150,946**	140,708
K. J. Lewis	**91,000**	**11,580**	**27,300**	**129,880**	**15,697**	**145,577**	126,889
W. J. Marper	**133,000**	**10,722**	**39,900**	**183,622**	**22,941**	**206,563**	183,883
M. J. Woodward	**98,000**	**9,897**	**29,400**	**137,297**	**14,455**	**151,752**	167,485
G. Younger*	**–**	**–**	**–**	**–**	**–**	**–**	27,931
	598,000	**47,372**	**179,400**	**824,772**	**98,253**	**923,025**	879,525

The Chairman received no emoluments in the current or the preceding year.

The emoluments, excluding pension contributions, of the highest paid director (T. J. Thomas) were £208,657 for 1994.

* This Director left the Bank's employment during 1994.

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 1995	Directors 1994
Nil	**8**	8
25,001 – 30,000	**–**	1
110,001 – 115,000	**–**	1
120,001 – 125,000	**–**	2
125,001 – 130,000	**1**	–
135,001 – 140,000	**2**	–
165,001 – 170,000	**–**	1
180,001 – 185,000	**1**	–
205,001 – 210,000	**–**	1
235,001 – 240,000	**1**	–

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 **£8,379,000** (1994–£8,279,000). 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 **£70,000** (1994–£460,000 payment shortfall) resulting in a prepayment of **£11,000** (1994–£81,000 prepayment).

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

all amounts are stated in £'000 unless otherwise indicated

	1995	1994
7. Taxation		
United Kingdom corporation tax at 33%	**4,192**	8,725
Tax credit on franked investment income	**4**	41
Deferred taxation	**9,102**	728
Notional tax on lease earnings equalisation	**29**	55
Under/(over) provision in previous years	**79**	(8)
	13,406	9,541
Share of associated undertakings' taxation	**(173)**	(78)
	13,233	9,463

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

£17,979,000 (1994–£11,697,000) 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	1995 pence per share	1994 pence per share	1995	1994
Proposed dividend on 600,000,000 ordinary shares of 5p each	**0.67 p**	0.5 p	**4,000**	3,000
Dividend on 60,000,000 9.25% non-cumulative irredeemable preference shares of £1 each (paid and proposed)	**9.25 p**	9.25 p	**5,535**	5,641
			9,535	8,641

10. Earnings per share

Earnings per share are calculated by dividing the profit for the financial year **£23,132,000** (1994–£17,847,000) less dividends on preference shares **£5,535,000** (1994–£5,641,000) by the weighted average number of ordinary shares **600,000,000** (1994–600,000,000) in issue during the year.

11. Assets	The Group		The Bank	
	1995	1994	1995	1994
(i) Assets and liabilities				
Denominated in sterling	**3,682,250**	2,980,676	**3,476,700**	2,788,255
Denominated in currencies other than sterling	**241,322**	313,599	**241,322**	313,599
Total assets	**3,923,572**	3,294,275	**3,718,022**	3,101,854
Denominated in sterling	**3,737,641**	3,068,883	**3,532,091**	2,876,462
Denominated in currencies other than sterling	**185,931**	225,392	**185,931**	225,392
Total liabilities	**3,923,572**	3,294,275	**3,718,022**	3,101,854
(ii) Assets subject to sale and repurchase transactions				
Debt securities	**73,630**	–	**73,630**	–
(iii) Assets leased to customers				
Loans and advances to customers finance leases and hire purchase contracts	**154,162**	150,229	**34,480**	22,574
Assets acquired during the year	**74,281**	43,292	**21,805**	29

all amounts are stated in £'000 unless otherwise indicated

	Group and Bank			
	1995		1994	
	Balance sheet	Market value	Balance sheet	Market value
12. Treasury bills and other eligible bills				
Investment securities				
treasury bills	**34,828**	**34,805**		
other eligible bills	**7,630**	**7,624**		–
	42,458	**42,429**	–	–
Other securities				
other eligible bills	**13,049**		–	
	55,507		–	
Unamortised discounts/(premiums) on investment securities	**238**		–	

Investment securities	Cost	Discounts/ premiums	Carrying value
At 14th January 1995	–	–	–
Acquisitions	**66,555**	–	**66,555**
Disposals	**(24,589)**	**(411)**	**(25,000)**
Amortisation	–	**903**	**903**
At 13th January 1996	**41,966**	**492**	**42,458**

13. Loans and advances to banks	The Group		The Bank	
	1995	1994	1995	1994
Remaining maturity:				
over 5 years	**7,295**	7,342	**7,295**	7,342
5 years or less but over 1 year	–	210	–	32
1 year or less but over 3 months	**102,974**	50,011	**102,974**	34,690
3 months or less but not repayable on demand	**785,874**	635,418	**785,874**	569,631
Repayable on demand	**9,606**	5,529	**9,606**	5,572
	905,749	698,510	**905,749**	617,267
Amounts include:				
Due from subsidiary undertakings unsubordinated			–	2,293

all amounts are stated in £'000 unless otherwise indicated

	The Group 1995	The Group 1994	The Bank 1995	The Bank 1994
14. Loans and advances to customers				
Remaining maturity:				
over 5 years	**365,099**	289,043	**331,176**	245,302
5 years or less but over 1 year	**630,527**	480,557	**545,789**	397,993
1 year or less but over 3 months	**266,890**	267,132	**242,102**	231,429
3 months or less but not repayable on demand	**454,481**	492,380	**430,720**	491,927
Repayable on demand	**366,557**	404,797	**459,682**	491,919
General and specific bad and doubtful debt provisions (note 15)	**(109,322)**	(144,206)	**(106,114)**	(140,907)
	1,974,232	1,789,703	**1,903,355**	1,717,663
Amounts include:				
Due from subsidiary undertakings unsubordinated			**108,919**	127,013
Due from parent organisation	**17,323**	–	**17,323**	–
Due from fellow subsidiary undertakings	**13,416**	–	**13,416**	–

15. Provisions for bad and doubtful debts

	1995 Specific	1995 Suspended interest	1995 General	1995 Total	1994 Specific	1994 Suspended interest	1994 General	1994 Total
Group:								
At 14th January 1995	**121,595**	**17,170**	**5,441**	**144,206**	126,045	16,453	5,441	147,939
Suspended interest	**–**	**1,922**	**–**	**1,922**	–	3,052	–	3,052
Charge against profits	**25,827**	**(3,127)**	**–**	**22,700**	32,436	(459)	–	31,977
Amounts written off	**(52,625)**	**(7,052)**	**–**	**(59,677)**	(37,437)	(1,876)	–	(39,313)
Recoveries	**171**	**–**	**–**	**171**	522	–	–	522
Acquired portfolio	**–**	**–**	**–**	**–**	29	–	–	29
At 13th January 1996	**94,968**	**8,913**	**5,441**	**109,322**	121,595	17,170	5,441	144,206
Bank:								
At 14th January 1995	**119,781**	**15,894**	**5,232**	**140,907**	122,051	15,375	5,232	142,658
Suspended interest	**–**	**1,754**	**–**	**1,754**	–	2,854	–	2,854
Charge against profits	**25,251**	**(3,127)**	**–**	**22,124**	32,589	(459)	–	32,130
Amounts written off	**(52,046)**	**(6,796)**	**–**	**(58,842)**	(35,410)	(1,876)	–	(37,286)
Recoveries	**171**	**–**	**–**	**171**	522	–	–	522
Acquired portfolio	**–**	**–**	**–**	**–**	29	–	–	29
At 13th January 1996	**93,157**	**7,725**	**5,232**	**106,114**	119,781	15,894	5,232	140,907

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	**111,256**	133,481
Provision for bad and doubtful debts	**(50,489)**	(51,067)
	60,767	82,414
Bank advances	**106,283**	129,681
Provision for bad and doubtful debts	**(49,414)**	(50,017)
	56,869	79,664

all amounts are stated in £'000 unless otherwise indicated

	The Group				The Bank			
	1995		1994		1995		1994	
	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value
16. Debt securities								
(i) Issue								
Issued by public bodies								
Investment securities								
government securities	**313,387**	**316,783**	287,990	272,340	**287,604**	**291,524**	262,230	249,091
other public sector securities	**2,896**	**3,300**	2,901	3,127	**2,896**	**3,300**	2,901	3,127
	316,283	**320,083**	290,891	275,467	**290,500**	**294,824**	265,131	252,218
Other securities								
government securities	**–**		4,976		**–**		4,976	
	316,283		295,867		**290,500**		270,107	
Issued by other issuers								
Investment securities								
bank and building society								
certificates of deposit	**261,507**	**266,698**	64,951	64,993	**161,507**	**165,192**	54,951	54,999
other debt securities	**71,433**	**72,619**	35,917	35,745	**71,433**	**72,619**	35,917	35,745
	332,940	**339,317**	100,868	100,738	**232,940**	**237,811**	90,868	90,744
Other securities								
bank and building society								
certificates of deposit	**74,421**		162,974		**74,421**		162,974	
other debt securities	**1,000**		14,952		**1,000**		14,952	
	408,361		278,794		**308,361**		268,794	
	724,644		574,661		**598,861**		538,901	
Unamortised profit on sales of investment securities	**(12,189)**		(10,445)		**(12,189)**		(10,445)	
	712,455		564,216		**586,672**		528,456	
Amounts include:								
Subordinated debt securities	**–**		14,952		**–**		14,952	
(ii) Maturity								
Due within one year	**311,928**		227,925		**211,928**		217,925	
Due one year and over	**412,716**		346,736		**386,933**		320,976	
	724,644		574,661		**598,861**		538,901	
Unamortised profit on sales of investment securities	**(12,189)**		(10,445)		**(12,189)**		(10,445)	
	712,455		564,216		**586,672**		528,456	
Unamortised discounts and (premiums) on investment securities	**(12,807)**		(10,149)		**(12,124)**		(9,389)	

all amounts are stated in £'000 unless otherwise indicated

	The Group				The Bank			
	1995		1994		1995		1994	
	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value
16. Debt securities (continued)								
(iii) Listing								
Investment securities								
listed on a recognised UK exchange	**387,716**	**392,702**	326,808	311,212	**361,933**	**367,443**	301,048	287,963
unlisted	**261,507**	**266,698**	64,951	64,993	**161,507**	**165,192**	54,951	54,999
	649,223	**659,400**	391,759	376,205	**523,440**	**532,635**	355,999	342,962
Unamortised profit on sales of investment securities	**(12,189)**		(10,445)		**(12,189)**		(10,445)	
	637,034		381,314		**511,251**		345,554	
Other securities								
listed on a recognised UK exchange	**1,000**		19,928		**1,000**		19,928	
unlisted	**74,421**		162,974		**74,421**		162,974	
	75,421		182,902		**75,421**		182,902	
	712,455		564,216		**586,672**		528,456	

	Cost	Discounts and premiums	Unamortised profit on sales	Carrying value
(iv) Movement				
Investment securities				
Group:				
At 14th January 1995	**393,890**	**(2,131)**	**(10,445)**	**381,314**
Transfers	**19,972**	**–**	**–**	**19,972**
Acquisitions	**1,158,801**	**–**	**–**	**1,158,801**
Disposals	**(922,238)**	**1,417**	**(3,653)**	**(924,474)**
Amortisation	**–**	**(488)**	**1,909**	**1,421**
At 13th January 1996	**650,425**	**(1,202)**	**(12,189)**	**637,034**
Bank:				
At 14th January 1995	**357,189**	**(1,190)**	**(10,445)**	**345,554**
Transfers	**19,972**	**–**	**–**	**19,972**
Acquisitions	**807,317**	**–**	**–**	**807,317**
Disposals	**(660,738)**	**1,417**	**(3,653)**	**(662,974)**
Amortisation	**–**	**(527)**	**1,909**	**1,382**
At 13th January 1996	**523,740**	**(300)**	**(12,189)**	**511,251**

Profits on disposals in the year were **£3,653,000** (1994–£1,060,000). However due to the application of accounting policy 1(b) relating to securities held in designated investment portfolios, **£1,909,000** (1994–£1,850,00) has been credited to the Profit and Loss Account. The application of this accounting policy therefore reduced profits for the year by **£1,744,000** (1994–£790,000 increase).

all amounts are stated in £'000 unless otherwise indicated

	The Group		The Bank	
	1995	1994	1995	1994
17. Equity shares				
Investment securities unlisted	**954**	880	**946**	527

	Group and Bank	
	1995	1994
Included above is the following trade investment:		
BACS Ltd **81,315** (1994–79,583) ordinary shares of £1 each	**569**	527

All unlisted securities are valued by the directors at cost net of provisions raised.

	Cost	Provision	Carrying value
Group:			
At 14th January 1995	**880**	–	**880**
Acquisitions	**224**	–	**224**
Provision made	–	**(150)**	**(150)**
At 13th January 1996	**1,104**	**(150)**	**954**
Bank:			
At 14th January 1995	**527**	–	**527**
Acquisitions	**569**	–	**569**
Provision made	–	**(150)**	**(150)**
At 13th January 1996	**1,096**	**(150)**	**946**

18. 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 13th January 1996	Group interest 1995	Group interest 1994
* Co-operative Pension Funds Unit Trust Managers Limited	Investment managers	165,000 Ordinary shares of £1 each	**33%**	33%
† Unity Financial Holdings Limited	Holding company	2 Ordinary shares of £1 each	**18%**	–
§ 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	1,000,000 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 p.l.c.
§ Held by Unity Financial Holdings Limited

all amounts are stated in £'000 unless otherwise indicated

18. Interests in associated undertakings (continued)

The interest in associated undertakings is made up as follows:

	Group	Bank
	Share of net assets	Cost
At 14th January 1995	590	17
Acquisitions	74	–
Retained loss	(353)	–
At 13th January 1996	311	17

19. 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 13th January 1996	Group interest 1995	Group interest 1994
* 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%
First Pioneers Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Second Pioneers Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Third Pioneers 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	224,000 Ordinary shares of £1 each	27%	27%
		71,000 8% Preference shares of £1 each	36%	36%
* Unity Corporate Advisors Limited	Corporate finance	60,000 Ordinary shares of £1 each	36%	36%

all amounts are stated in £'000 unless otherwise indicated

19. Ultimate holding organisation and subsidiary undertakings (continued)

Shares in Group undertakings:	Cost	Provision	Carrying value
At 13th January 1996 and 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.

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:

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

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.

all amounts are stated in £'000 unless otherwise indicated

	Freehold and leasehold buildings	Computer and other equipment	Finance leased assets	Total
20. Tangible fixed assets				
Group:				
Cost				
At 14th January 1995	2,523	103,456	6,987	112,966
Additions	–	20,164	–	20,164
Disposals	–	(19,886)	(223)	(20,109)
At 13th January 1996	2,523	103,734	6,764	113,021
Accumulated depreciation				
At 14th January 1995	862	63,581	4,005	68,448
Disposals	–	(19,206)	(223)	(19,429)
Charge for the year	65	10,685	885	11,635
At 13th January 1996	927	55,060	4,667	60,654
Net book value at 13th January 1996	1,596	48,674	2,097	52,367
Net book value at 14th January 1995	1,661	39,875	2,982	44,518
Bank:				
Cost				
At 14th January 1995	2,523	101,939	6,987	111,449
Additions	–	19,142	–	19,142
Disposals	–	(19,794)	(223)	(20,017)
At 13th January 1996	2,523	101,287	6,764	110,574
Accumulated depreciation				
At 14th January 1995	862	62,686	4,005	67,553
Disposals	–	(19,165)	(223)	(19,388)
Charge for the year	65	10,460	885	11,410
At 13th January 1996	927	53,981	4,667	59,575
Net book value at 13th January 1996	1,596	47,306	2,097	50,999
Net book value at 14th January 1995	1,661	39,253	2,982	43,896

	Group and Bank	
	1995	1994
The net book value of land and buildings comprises:		
Freehold	1,509	1,561
Long leasehold	20	21
Short leasehold	67	79
	1,596	1,661

	The Group		The Bank	
Future capital expenditure:	1995	1994	1995	1994
Contracted but not provided in the financial statements	1,903	3,706	1,449	2,511
Authorised by the directors but not contracted	1,399	1,310	1,399	1,310
	3,302	5,016	2,848	3,821

all amounts are stated in £'000 unless otherwise indicated

	The Group		The Bank	
	1995	1994	1995	1994
21. Other assets				
Foreign exchange and interest rate contracts	**12,599**	8,191	**12,599**	8,191
Trade debtors	**8,321**	5,561	**4,814**	4,911
Amounts due from subsidiary undertakings	–	–	**509**	2,553
	20,920	13,752	**17,922**	15,655

22. Deposits by banks	The Group		The Bank	
	1995	1994	1995	1994
With agreed maturity dates or periods of notice, by remaining maturity:				
1 year or less but over 3 months	**500**	5,479	**500**	5,479
3 months or less but not repayable on demand	**355,669**	466,919	**356,207**	470,351
Repayable on demand	**48,174**	129,887	**48,174**	129,887
	404,343	602,285	**404,881**	605,717
Amounts include:				
Due to subsidiary undertakings			**538**	3,432

23. Customer accounts	The Group		The Bank	
	1995	1994	1995	1994
With agreed maturity dates or periods of notice, by remaining maturity:				
5 years or less but over 1 year	**169,681**	2,250	**168,531**	–
1 year or less but over 3 months	**25,564**	20,065	**24,432**	19,981
3 months or less but not repayable on demand	**876,791**	747,979	**801,946**	713,559
Repayable on demand	**1,819,074**	1,503,076	**1,745,621**	1,399,485
	2,891,110	2,273,370	**2,740,530**	2,133,025
Amounts include:				
Due to subsidiary undertakings			**5,574**	5,515
Due to parent organisation	**10,997**	11,452	**10,997**	11,452
Due to fellow subsidiary undertakings	**14,233**	7,183	**14,233**	7,183

24. Debt securities in issue	The Group		The Bank	
	1995	1994	1995	1994
Medium term notes due:				
5 years or less but over 2 years	**15,000**	5,000	**15,000**	5,000
2 years or less but over one year	**20,000**	23,000	**20,000**	23,000
one year or less or on demand	**3,000**	–	**3,000**	–
Other debt securities in issue, by remaining maturity:				
1 year or less but over 3 months	**5,000**	2,000	**5,000**	2,000
3 months or less	**64,305**	19,500	**64,305**	19,500
	107,305	49,500	**107,305**	49,500

all amounts are stated in £'000 unless otherwise indicated

	The Group		The Bank	
	1995	1994	1995	1994
25. Other liabilities				
Foreign exchange and interest rate contracts	**7,592**	7,841	**7,592**	7,841
Trade creditors	**18,920**	18,445	**13,465**	16,152
Taxation	**12,248**	11,863	**11,431**	7,814
Finance lease future obligations	**4,771**	9,113	**4,771**	9,113
Dividends	**4,662**	3,669	**4,662**	3,669
	48,193	50,931	**41,921**	44,589
External obligations under finance leases				
Gross obligations payable within one year	**2,331**	2,576	**2,331**	2,576
between one and five years	**3,592**	8,663	**3,592**	8,663
	5,923	11,239	**5,923**	11,239
Less future finance charges	**1,152**	2,126	**1,152**	2,126
	4,771	9,113	**4,771**	9,113

26. Deferred taxation	The Group		The Bank	
	1995	1994	1995	1994
Taxation deferred by timing differences in accordance with the basis of accounting set out in Accounting Policy (g)				
Short term differences	**1,079**	822	**1,132**	958
Losses and other timing differences	**(4,217)**	(11,386)	**(4,018)**	(3,176)
Capital allowances on fixed assets	**3,335**	2,709	**3,335**	2,709
Capital allowances on assets leased to customers	**17,083**	16,033	**2,389**	2,079
	17,280	8,178	**2,838**	2,570
The movement in the deferred taxation balance has all taken place through the Profit and Loss Account	**9,102**	728	**268**	1,518
The potential amount of deferred taxation not provided in the financial statements (all in respect of accelerated capital allowances) is	**4,271**	6,871	**597**	891

The potential liability on rolled over gains amounts to **£922,000** (1994–£922,000).

all amounts are stated in £'000 unless otherwise indicated

	The Group		The Bank	
	1995	1994	1995	1994
27. 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	**–**	–
£75,000,000 Subordinated Floating Rate Notes redeemable not later than December 2005	**75,000**	–	**75,000**	–
£50,000,000 Fixed Rate Perpetual Subordinated Notes	**50,000**	–	**50,000**	–
Issue costs and discount	**(1,127)**	–	**(1,127)**	–
	204,906	81,033	**198,873**	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.

On 26th January 1996 the Bank purchased notes with a principal amount of £37,000,000 at a discount of 2%. The present balance is therefore £38,000,000. The profit of £740,000 will be recorded in the financial statements for the year ended 11th January 1997.

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.

There were no conversions of loan stock during the year.

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

Subordinated Floating Rate Loan Notes 2005

The notes were issued on 20th December 1995 at par.

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 notes are not subject to minimum or maximum rates of interest.

The Bank may redeem all or part of the notes at their principal amount on any December interest payment date falling on or after December 2000. Unless previously redeemed, the Bank will redeem the notes at the principal amount on their interest payment date falling in December 2005.

Fixed Rate Perpetual Subordinated Notes

The notes were issued on 20th December 1995 at a discount of 0.723%.

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 notes carry an interest rate of 9.375% per annum to (but excluding) 21st December 2005. From this date and on 20th December in every fifth year thereafter the interest rate will be determined by reference to the gross redemption yield on the five year benchmark gilt, and a margin of 2.70%.

The Bank may redeem all or part of the notes at their principal amount on 21st December 2005, and thereafter on every fifth Fixed Interest Date (20th December).

all amounts are stated in £'000 unless otherwise indicated

	1995	1994
28. Called up share capital		
Authorised		
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
	90,000	90,000

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.

29. Reserves	**Bank and subsidiary undertakings**	**Associated undertakings**	**Group**	**Bank**
Share premium account at 13th January 1996 and at 14th January 1995	**8,814**	–	**8,814**	**8,814**
Profit and loss account at 14th January 1995	**61,601**	**(876)**	**60,725**	**53,246**
Retentions for the year	**13,950**	**(353)**	**13,597**	**13,979**
At 13th January 1996	**75,551**	**(1,229)**	**74,322**	**67,225**

The cumulative amount of goodwill arising on the acquisition of subsidiary undertakings, net of goodwill attributed to subsidiary undertakings disposed of, is **£247,000** (1994–£247,000).

all amounts are stated in £'000 unless otherwise indicated

30. 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 Solvency Ratio Directive on capital adequacy.

	1995				1994	
	Contract amount	Credit equivalent amount	Risk weight	Risk weighted amount	Contract amount	Risk weighted amount
Group:						
Contingent Liabilities						
Acceptances and endorsements	**44,141**	**44,141**	**88.4%**	**39,021**	81,406	69,602
Guarantees and irrevocable letters of credit	**62,156**	**55,355**	**97.9%**	**54,193**	67,243	59,640
	106,297			**93,214**	148,649	129,242
Bank:						
Contingent Liabilities						
Acceptances and endorsements	**44,141**	**44,141**	**88.4%**	**39,021**	81,406	69,602
Guarantees and irrevocable letters of credit	**62,005**	**55,279**	**97.9%**	**54,118**	66,991	59,517
	106,146			**93,139**	148,397	129,119
Group:						
Other commitments						
Documentary credits and short-term trade-related transactions	**397**	**79**	**98.7%**	**78**	1,333	267
Forward asset purchases and forward deposits placed	**10,005**	**10,005**	**20.0%**	**2,001**	5	5
Undrawn note issuance and revolving underwriting facilities	**31,250**	**15,625**	**82.9%**	**12,953**	11,338	5,136
Undrawn formal standby facilities, credit lines and other commitments to lend:						
1 year and over	**5,033**	**2,517**	**20.5%**	**516**	1,341	671
less than 1 year (ii)	**1,976,719**	**–**	**–**	**–**	1,736,382	–
	2,023,404			**15,548**	1,750,399	6,079

all amounts are stated in £'000 unless otherwise indicated

30. Memorandum items, foreign exchange and interest rate contracts (continued)

	1995				1994	
	Contract amount	Credit equivalent amount	Risk weight	Risk weighted amount	Contract amount	Risk weighted amount
Bank:						
Other commitments						
Documentary credits and short-term trade-related transactions	**397**	**79**	**98.7%**	**78**	1,333	267
Forward asset purchases and forward deposits placed	**10,005**	**10,005**	**20.0%**	**2,001**	5	5
Undrawn note issuance and revolving underwriting facilities	**31,250**	**15,625**	**82.9%**	**12,953**	11,338	5,136
Undrawn formal standby facilities, credit lines and other commitments to lend:						
1 year and over	**5,033**	**2,517**	**20.5%**	**516**	1,341	671
less than 1 year (ii)	**1,976,143**	**–**	**–**	**–**	1,735,581	–
	2,022,828			**15,548**	1,749,598	6,079
Group and Bank:						
Exchange rate contracts (iii)						
hedging	**670,985**	**7,969**	**22.3%**	**1,777**	366,173	1,025
Interest rate contracts (iii)						
hedging	**1,561,349**	**25,838**	**21.7%**	**5,607**	1,594,750	5,337
trading	**–**	**–**	**–**	**–**	201,460	186
				7,384		6,548
Replacement cost:						
exchange rate contracts	**1,001**				1,209	
interest rate contracts	**20,884**				21,811	
	21,885				23,020	

Notes:

i. Under the Solvency Ratio Directive, credit equivalent amounts, obtained by applying credit conversion factors, are risk weighted according to counterparty.

ii. Undrawn loan commitments which are unconditionally cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.

iii. 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 are stated in £'000 unless otherwise indicated

	1995 (52 weeks)	1994 (53 weeks)
31. Consolidated cash flow statement		
(i) Reconciliation of Group profit on ordinary activities before taxation to net cash inflow/(outflow) from operating activities		
Group profit on ordinary activities before taxation	**36,736**	27,511
Share of losses from associated undertakings	**526**	232
Investment income	**(40,871)**	(30,334)
Increase in prepayments and accrued income	**(12,115)**	(4,436)
Increase in accruals and deferred income	**10,367**	25,127
Interest payable in respect of subordinated liabilities	**6,237**	4,600
Effect of exchange rate movements	**(1,368)**	(1,605)
Provisions for bad and doubtful debts	**22,700**	31,977
Provisions for fixed asset investments	**150**	–
Notional tax on lease earnings equalisation	**(29)**	(55)
Depreciation	**11,635**	10,712
Amortisation of investments	**(415)**	1,377
(Profit)/loss on sale of investments	**(1,957)**	1,261
Loss/(profit) on sale of fixed assets	**278**	(221)
Net cash flow from trading activities	**31,874**	66,146
(Decrease)/increase in deposits by banks	**(25,265)**	15,799
Increase/(decrease) in customer accounts	**617,740**	(137,137)
Increase in debt securities in issue	**13,147**	20,750
Increase in loans and advances to banks	**(54,439)**	(115,878)
Increase in loans and advances to customers	**(228,591)**	(89,906)
Decrease/(increase) in trading debt securities	**42,509**	(94,986)
Increase in trading treasury and eligible bills	**(13,049)**	–
Net movement of other assets and other liabilities	**(11,276)**	(18,587)
Net (increase)/decrease in cheques in course of collection	**(15,133)**	51,590
Net cash inflow/(outflow) from operating activities	**357,517**	(302,209)
Analysis of changes in cash and cash equivalents during the year		
At 14th January 1995	**(20,960)**	324,528
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange rate changes	**208,522**	(347,093)
Effect of foreign exchange rate changes	**1,368**	1,605
At 13th January 1996	**188,930**	(20,960)

	1995	1994	Change in year
Analysis of the balances of cash and cash equivalents			
Coin and bank notes and amounts with central banks	**33,255**	37,822	**(4,567)**
Money at call and short notice	**592,007**	505,569	**86,438**
Advances from banks	**(436,332)**	(564,351)	**128,019**
	188,930	(20,960)	**209,890**

The Group is required to maintain balances with the Bank of England which at 13th January 1996 amounted to **£7,500,000** (1994–£7,524,000).

Money at call and short notice includes Treasury bills and other eligible bills, loans and advances to banks and loans and advances to customers and other debt securities 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 are stated in £'000 unless otherwise indicated

32. 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.

	1995	1994
Profit before taxation:		
Retail banking	**101,377**	88,561
Other financial services	**11,035**	12,182
	112,412	100,743
Shared costs:		
Centralised services and processing	**(48,617)**	(46,629)
Management services and marketing	**(27,589)**	(22,370)
Profit before restructuring and service development costs	**36,206**	31,744
Unity Trust group and associates	**530**	517
Restructuring and service development costs	**–**	(4,750)
Profit before taxation	**36,736**	27,511
Gross assets:		
Retail banking	**3,375,880**	2,759,993
Other financial services	**161,226**	165,945
Unity Trust group	**175,887**	164,046
Group central assets	**210,579**	204,291
Total	**3,923,572**	3,294,275
Net assets:		
Retail banking	**211,224**	78,218
Other financial services	**8,028**	9,783
Unity Trust group	**11,184**	10,609
Group central net assets	**(50,107)**	67,751
Total	**180,329**	166,361

The segmental analysis for the year ended 14th January 1995 has been restated to reflect minor changes in the Bank's structure to enable direct comparison with the analysis for the year ended 13th January 1996.

Net assets are share capital, reserves and minority interest.

33. Directors' and Officers' Loans

The aggregate amounts outstanding at 13th January 1996 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	**£117,765**	**5**
quasi-loans	**£18,386**	**12**
Officers		
loans	**£1,015,309**	**24**
quasi-loans	**£52,526**	**25**

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

all amounts are stated in £'000 unless otherwise indicated

	1995		1994	
	Land and buildings	Computer and other equipment	Land and buildings	Computer and other equipment
34. General				
(i) Operating lease commitments				
At the year end, annual commitments under non-cancellable operating leases were:				
Group:				
Expiring				
within one year	**539**	–	270	239
between one and five years	**739**	–	698	218
in five years or more	**8,575**	–	8,067	–
	9,853	–	9,035	457
Bank:				
Expiring				
within one year	**539**	–	270	215
between one and five years	**739**	–	698	218
in five years or more	**8,273**	–	7,765	–
	9,551	–	8,733	433

(ii) Management and agency services

The Group has investment management business.

(iii) Average number of employees

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

	1995	1994
Managers	**500**	473
Clerical staff	**3,290**	3,331
	3,790	3,804

(iv) Concentration of exposure

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

	1995	1994
Distribution, hotels and catering	**363,655**	397,068
Business and other services	**692,844**	634,257
Personal	**795,312**	582,578

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

We have audited the financial statements on pages 33 to 59.

Respective responsibilities of directors and auditors

As described on page 31 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 13th January 1996 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
Manchester
3rd April 1996

	1995 £'000	1994 £'000	1993 £'000	1992 £'000	1991 £'000
Balance Sheet Extracts					
Share Capital	**90,000**	90,000	90,000	90,000	90,000
Reserves	**83,136**	69,539	60,333	57,338	56,422
Shareholders' Funds	**173,136**	159,539	150,333	147,338	146,422
Minority Interests	**7,193**	6,822	6,621	6,458	6,381
Subordinated Liabilities	**204,906**	81,033	81,033	81,034	81,034
Deposits	**3,295,453**	2,875,655	2,982,944	2,707,105	2,437,853
Tangible Fixed Assets	**52,367**	44,518	40,307	32,930	32,503
Loans and Advances	**2,879,981**	2,488,213	2,739,854	2,636,775	2,408,172
Debt Securities Treasury and other Eligible Bills	**767,962**	564,216	382,883	225,863	159,194
Profitability					
Profit/(loss) Before Taxation	**36,736**	27,511	17,789	9,845	(5,972)
Profit/(loss) After Taxation	**23,503**	18,048	11,091	6,270	(2,629)
Dividends	**9,535**	8,641	8,035	5,535	5,535
Retentions	**13,597**	9,206	2,955	622	(7,209)
Returns					
Profit/(loss) Before Taxation/ Average Shareholders' Funds	**22.09%**	17.76%	11.95%	6.70%	(3.98%)
Earnings Per Share (5p shares)	**2.93p**	2.03p	0.91p	0.10p	(1.20p)

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, 30th April 1996 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, the Report of the Remuneration Committee and to adopt the Financial Statements for the year ended 13th January, 1996 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, 1995 be confirmed; and
      (ii) that a dividend of 4.625p per £1 share be declared and paid on 31st May, 1996 to the registered holders as at 8th May 1996 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 0.67p per ordinary share at a total cost of £4,000,000 be declared and paid.
4. To re-elect the following Directors who retire by rotation, in accordance with the provisions of Article 105:
   (i) T. Agar
   (ii) D. T. Hughes
   (iii) D. Skinner
   (iv) M. J. Woodward
5. That KPMG Audit Plc be and are hereby appointed auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next General Meeting at which accounts are laid before the Company, at a remuneration to be fixed by the Directors.
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
3rd April 1996

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.