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ANNUAL REPORT

AND

FINANCIAL STATEMENTS

1993



These are the trees



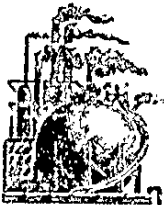
The Wilkinsons planted



With interest accrued
on their savings



Which their bank
had lent



To a chemical giant

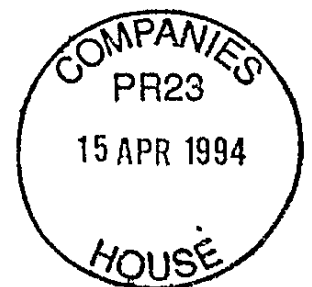


That senselessly spews



Toxic waste.

PROFIT *with* PRINCIPLES



SIGNATURE COPY

It happens
But not at
The Co-operative Bank.

15-4-94
534

MISSION STATEMENT

**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.

The CO-OPERATIVE BANK GROUP

OUR ETHICAL POLICY

The BANK'S position is that

- It will not invest in or supply financial services to any regime or organisation which oppresses the human spirit, takes away the rights of individuals or manufactures any instrument of torture.
- It will not finance or in any way facilitate the manufacture or sale of weapons to any country which has an oppressive regime.
- It will encourage business customers to take a pro-active stance on the environmental impact of their own activities.
- It will actively seek out individuals, commercial enterprises and non-commercial organisations which have a complementary ethical stance.
- It will not speculate against the pound using either its own money or that of its customers. It believes it is inappropriate for a British clearing bank to speculate against the British currency and the British economy using deposits provided by their British customers and at the expense of the British tax payer.
- It will try to ensure its financial services are not exploited for the purposes of money laundering, drug trafficking or tax evasion by the continued application and development of its successful internal monitoring and control procedures

- It will not provide financial services to tobacco product manufacturers.
- It will continue to extend and strengthen its Customer Charter, which has already established new standards of banking practice through adopting innovative procedures on status enquiries and customer confidentiality, ahead of any other British bank.
- It will not invest in any business involved in animal experimentation for cosmetic purposes.
- It will not support any person or company using exploitative factory farming methods.
- It will not engage in business with any farm or other organisation engaged in the production of animal fur.
- It will not support any organisation involved in blood sports, which it defines as sports which involve the training of animals or birds to catch and destroy, or to fight and kill, other animals or birds.

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



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CHAIRMAN'S STATEMENT

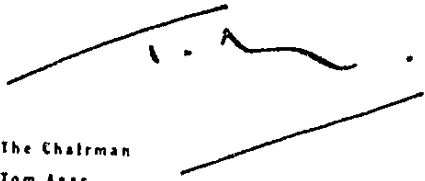
IN 1993 THE
CO-OPERATIVE BANK
made excellent progress
by increasing market
share and profitability
whilst continuing
to develop its business
infrastructure and
extending customer
service.

Pre-tax profits increased by over 80% to
£17.8m. This significant improve-
ment arose from higher operating
income and lower bad debt
provisions. It is particularly
encouraging to see early benefits
from the Bank's consistent strategy
of improving the underlying quality
of the loan portfolio, increasing
retail deposits and generating higher
levels of commissionable business.

The Bank continues to differentiate itself
from the competition and establish
stronger empathy with its
customers. The Bank's Mission
Statement and Ethical Policy
illustrate the Bank's philosophy and
commitment to meet the
requirements of its customers.
Armchair Banking is already the
largest telephone banking service in
the country and developments are
underway to enhance, restructure
and integrate branch network
services in a cost-effective manner.

During the year, Alex Arlow, Roger
Gorvin and Brian Jones retired from
the Board. The Bank is grateful for
their wise counsel over the years.
Ken Lewis was appointed executive
director and Bob Burlton joined the
Board as a non-executive director.
The skills and experience of the new
directors will make a valuable
contribution to the Bank.

Major changes are taking place in the
banking industry and competition is
increasing every year. The constant
need to manage and implement
change places a heavy burden on
both management and staff. On
behalf of the Board I welcome the
opportunity to thank all members of
staff for their loyalty, enthusiasm
and commitment.



The Chairman
Tom Agar

OPERATING &
FINANCIAL
REVIEW

1993 was a year of substantial progress for THE CO-OPERATIVE BANK. Pre-tax profits of £17.8m were £7.9m higher than last year, an increase of 81%, reflecting solid growth in operating income and a reduction in bad debt provisions. Earnings (after tax), attributable to shareholders, were £11m, an increase of £4.8m.

During 1993 the UK economy began to move out of recession, but the pace of economic recovery will be slow. It will take time to repair consumer confidence, and growth in the Corporate sector will be affected by sluggish demand at home and recessionary conditions in export markets. Although UK unemployment has been falling slowly much of the improvement arises from part-time employment, and recovery in key sectors such as property and construction remains uncertain. The effects of changes in the global economy and the appeal of the UK to international investors are unpredictable. Nevertheless, if

the Government can continue to fund and reduce its borrowing requirement whilst maintaining a low inflation, low interest rate environment and establishing steady economic growth, then the prospects for many of our UK customers will be better than at any time during the last five years.

Credit quality of both the Personal sector and Corporate sector loan portfolios has improved and the charge for bad debt provisions of £38.4m was 10% lower than last year as a result of enhanced credit cycle management in recent years. Progressive improvement is likely during 1994 providing the economy continues to grow.

Operating income increased by 9.4% to £228m, reflecting a 4% improvement in net interest income and a substantial increase in non-interest income of almost 18%. As with all retail banks, there was a substantial decline in the net interest contribution from interest-free liabilities due to lower UK interest rates, but this was more than offset by higher margins from retail lending, solid growth in Treasury and Leasing income and additional net interest income from increased retail deposit balances. All the principal business sectors (Treasury, Personal and Corporate) contributed to the growth in non-interest income. In particular, within the Personal sector, Visa turnover



reached record levels in 1993.

Retail customer deposits increased progressively during the year despite the much publicised transfer of bank and building society funds into the equity and alternative investment markets. At year end, retail customer deposits were £1.6 billion, higher than last year by 16%, and direct customer deposits with Treasury were £0.3 billion. The Bank's programme continually to build empathy with its customers is clearly bearing fruit. The Bank's Ethical Policy, introduced in 1992, has a significant appeal to a clearly defined segment of the population. In 1994 the *Customers who Care* programme will further reinforce customer commitment to the Bank and its principles.

Loans and advances to customers increased during the latter months of 1993 and at year end were 4% higher than the prior year due to a small increase in Retail lending and higher levels of Treasury activity. For much of the year, Retail lending balances were lower than last year reflecting more stringent credit criteria and reduced demand in the Corporate sector. Nevertheless, the Bank has continued to increase its presence in those sectors where it has developed specialised expertise. Recent expansion in the health, education and charity sectors has generated significantly more deposits than loan balances.

The Bank has continued to invest in programmes to improve internal processing efficiency, centralised account maintenance, telephone banking and network distribution. As a result, expenses have increased by £17m to £172m, but this includes restructuring and redundancy expenditure in addition to the cost of the development programmes. The Bank is committed to implementing staff changes in a considerate manner and redundancies have been kept to a minimum wherever possible. Nevertheless, job losses are unavoidable as process re-engineering programmes lead to radical changes in the Bank's organisation structure and shorten management communication lines.

Customers' service requirements are changing. Increasing numbers of customers prefer the convenience of telephone banking, ATMs for cash withdrawals, debit and credit cards. Nevertheless, personal contact with branch staff is welcomed by many customers and the Bank is committed to meeting all of these needs in a cost-effective manner.

Branches have been substantially relieved of routine account maintenance tasks. They require less staff but provide greater focus on direct personal service, consultation and sales. Development work is underway progressively to

Ken Lewis, who was appointed a Director of the Bank in May 1993, at one of the new Co-operative Bank kiosks, in Manchester.



restructure the branch network. The size and design of new and refurbished outlets will be tailored to the differing customer service needs of each location. The new outlets range from small, secure, automated facilities to large, full service branches. Over time, the Bank will double the number of outlets without a significant increase in costs.

The same concept of establishing the most efficient balance of central account maintenance, telephone banking, customer service centres and automated services is being developed for Corporate customers. Financial Director, a state of the art banking system, was

successfully tested with selected business customers in 1993 and will be progressively available to the Bank's corporate customers in 1994.

Competition within the financial services sector is increasing and will remain intense in the coming years.

The Co-operative Bank is a long established clearing bank, committed to remaining at the forefront of innovation in its chosen field. The Bank is successfully differentiating itself from the competition and the developments outlined above, coupled with a track record of product innovation, will enable the bank to continue to prosper as the economy grows.

MANAGING
DIRECTOR'S
REVIEW

Customers
who Care

The 1993 results are a testimony to the relevance of co-operative values today and the trading success that can be built upon them. The Bank has proved over the year that a business can make profits whilst still achieving socially desirable objectives. The whole-hearted support of the Bank's ethical stand by management and staff, and their hard work and professionalism throughout the year has played a large part in these achievements.

The Co-operative Bank's Ethical Policy, published in May 1992, has continued to excite interest. The policy was established after extensive customer research. It specifies the types of organisations our customers are keen for us to support, and those to whom they would rather we did not lend their money. In the first full year of trading under its ethical colours the Bank's stand has attracted a substantial amount of interest from both personal customers and sympathetic business sectors.

In line with co-operative tradition customer participation is sought increasingly, both in terms of policy and of service standards; and every effort is made to keep customers as closely informed as possible.

The *In Touch* newsletter, first issued in 1992, continues to provide customers with information on products and on policy and service issues, and generates considerable customer response.

In 1994 the Bank will continue its well-received practice of inviting customers to influence policy issues. It already operates a number of affinity Visa cards, each dedicated to a particular organisation; now the concept of plastic cards helping to support charities is being extended to all the Bank's Visa credit cards. Under a scheme called *Customers who Care* a percentage of total turnover will be donated to charities voted for by cardholders each quarter. These donations will complement existing payments made by the Bank to charities issuing affinity cards. For example the Royal Society for the Protection of Birds received over £300,000 from usage of its cards.

A further advertising campaign consolidating its positioning as the ethical alternative has led to a significant increase in spontaneous and prompted awareness of the Bank in areas where advertising was concentrated. Over a third of customers switching to The Co-operative Bank now give its ethical stance as their main reason for transferring their accounts.



Terry Thomas,
Managing Director

The Bank's award-winning
advertising campaign
continued in 1993 with the
addition of another
hard-hitting advert.



This is the danger



The 1990s went to law school



Using savings they kept
in their bank



What's their bank
put forward?



Ahead into 1993



How do you
control the people



Legal rights

1993
The 1990s went to law school
Using savings they kept
in their bank
What's their bank
put forward?
Ahead into 1993
How do you
control the people
Legal rights

The 1990s went to law school

Business Administration Centre established

The Bank's network of business centres and commercial outlets, expanded during 1993, has provided a comprehensive service to corporate customers over the year. Following on from the success of the Account Management Centre, established in 1991 to offer a centralised service to personal customers, a new Business Administration Centre (BAC) has been established to handle the banking needs of business customers from a central point.

The BAC provides a unique service which allows corporate customers to conduct their everyday banking by telephone, fax or letter, so avoiding the necessity of visiting a branch. The service, piloted during 1993, has been so well received by those businesses who registered during the year that it is to be formally launched to all corporate customers in April 1994.

Michael Griffiths, Chairman of Excalibur Group PLC, visits the Bank's Business Administration Centre to see the operation behind the flourishing telephone banking service for corporate customers. Linda Moss, Operations Manager, and Kath Race, Customer Services Clerk, explain the systems.



New growth in specialist sectors

1993 saw a healthy broadening of the Bank's business customer base as a whole. Considerable expansion is also reported within those areas where The Co-operative Bank has increasingly earned a reputation for providing specialist services. The policy of concentration on a number of sectors where particular expertise has been built up was continued. In many instances the ethical stance has proved an important differentiator between The Co-operative Bank and its competitors.

Two areas where the Bank has gained a considerable amount of business are within the charity and education sectors. The response from large charities is especially encouraging, with Friends of the Earth and Shelter amongst those joining the Bank's customers during the year. AXIS, a processing service for payments made by post, has proved particularly popular with charities during 1993. As competition for charitable donations increases, extensive mailing programmes are becoming a regular feature for many charities. AXIS aims to deal with the response to a promotion within 24 hours, ensuring that the proceeds enter the charity's account as quickly as possible.

1993 has brought overwhelming success for

Three houses for local elderly people in Luccombe, Somerset, which won several design awards for their contribution to the rural setting. The development is by West Somerset Rural Housing Association, part of the Rural Housing Trust which the Bank is helping with funding.



the Bank at every level within the education sector. In fact, it is now the leading supplier of banking services to schools, with a 15% market share. The introduction of education specialists in corporate centres across the country will further improve the service.

The Bank has a particular dedication to special educational needs and has built a strong relationship with NASEN (the National Association for Special Educational Needs).

Local authority business continues to

thrive despite increasing competition. The Co-operative Bank is the

Over 800 schools sent in their creative entries to the Bank's Our World competition in the summer. Pictured are some of the winning artists from Stockwell Infants School in Brixton with Lord Graham of Edmonton at the House of Lords

second largest provider of banking services to local authorities and market leader in the metropolitan authority market, holding Newcastle, Sheffield, Manchester and Birmingham accounts, amongst others. The Bank works closely with professional organisations such as the Association of District Councils, CIPFA and the Association of Metropolitan Authorities.

Housing associations have for some years benefited from the Bank's experience in providing finance for housing schemes. 1993, however, gave the sector a different slant when the Bank joined forces with the Rural Housing Trust. The Trust represents nine regional housing associations and the two national rural associations, which aim to provide affordable housing for local people in rural areas



**New products
encourage
growth**

The Bank's commitment to maintaining comparatively high returns has meant that business deposit accounts have gone from strength to strength, with a substantial growth in balances.

Two important new products have played their part in attracting new business: Financial Director is an innovative electronic banking system which gives customers immediate access to their account information via a computer screen. The system also allows payments to be made between accounts and gives customers access to the money market.

A second new product is an Ethical Unit Trust aimed at tax-exempt funds such as pension funds and charities. The Trust only invests in UK quoted companies and follows the Bank's ethical code of practice. It is managed by CIM Fund Managers, the Bank's fund management subsidiary, and the Independent Ethical Investment Research Service (EIRIS) monitors the activities of companies whose shares make up the available portfolio.

The Bank's national network of regional processing centres was expanded during 1993 with the opening of a new centre in Bristol and plans are underway to build a processing centre in South Yorkshire in 1994.

The network now provides extensive coverage of the UK, giving customers a more immediate service. Evening and weekend processing mean that companies can bank their takings sooner, giving not only a quicker return but also increased security.

The Treasury function continues to provide excellent service to its clients, and in 1993 made a significant contribution to the Bank's improved earnings through higher operating profits. Its professional image continues to ensure the Bank's well respected position in the London money markets.

PERSONAL SECTOR

24 Hour banking. 365 Days a year.

The Bank continues to provide an efficient and accessible service to its personal customers. The changing needs of customers and the advances of new technology result in a constant evolution of the Bank's distribution strategy.

Its Armchair Banking service is now the largest telephone banking operation in the country. More than four million calls were received over the year, and almost half of personal customers now regularly use the system to conduct all their routine banking business.

From July the service was extended to run seven days a week, eighteen hours a day. A bill-payment service and a 24-hour Routine Information Line using voice-response technology were also added.

The branch network also has a new look, with a programme to augment the old-style branch with Bankpoint shops: a combination of self-service



Personal Adviser
Lisa Rawlinson
discusses financial
options with
customers.

automated banking systems, available 24 hours a day, and a more relaxing, open-plan area, which allows customers to discuss their personal finances face to face during normal banking hours.

Also in the Bankpoint style, three fully automated banking kiosks were opened towards the end of 1993, the first of their kind in Britain. Stylish as well as secure, the Bankpoint kiosks currently offer ATMs, a depository for personal and corporate customers and a telephone link with the Armchair Banking service.



The new Bankpoint at
Ashton-under-Lyne in
Lancashire opened its
doors in August 1993.

Visa base extended

While 1993 has seen a lot of activity in the credit card market, The Co-operative Bank is still leading the way with its free-for-life guarantee on its Gold, Robert Owen and affinity cards.

The Robert Owen base was substantially increased following an offer for successful new applicants to transfer the balance from their existing Visa or Access cards to their new account, where they would be charged interest on the outstanding debt at half the market rate.

In October Amnesty International became the fifth organisation to launch an affinity Visa card with The Co-operative Bank. By the year end thousands of Amnesty affinity card holders were enjoying the benefits of a free-for-life credit card, whilst Amnesty was looking forward to a healthy increase in funds.

CBFA is fastest growing broker

Co-operative Bank Financial Advisers, the fastest growing supplier of independent financial advice and one of the largest such insurance brokerages in the UK, continued its three-year trend of strong financial growth.

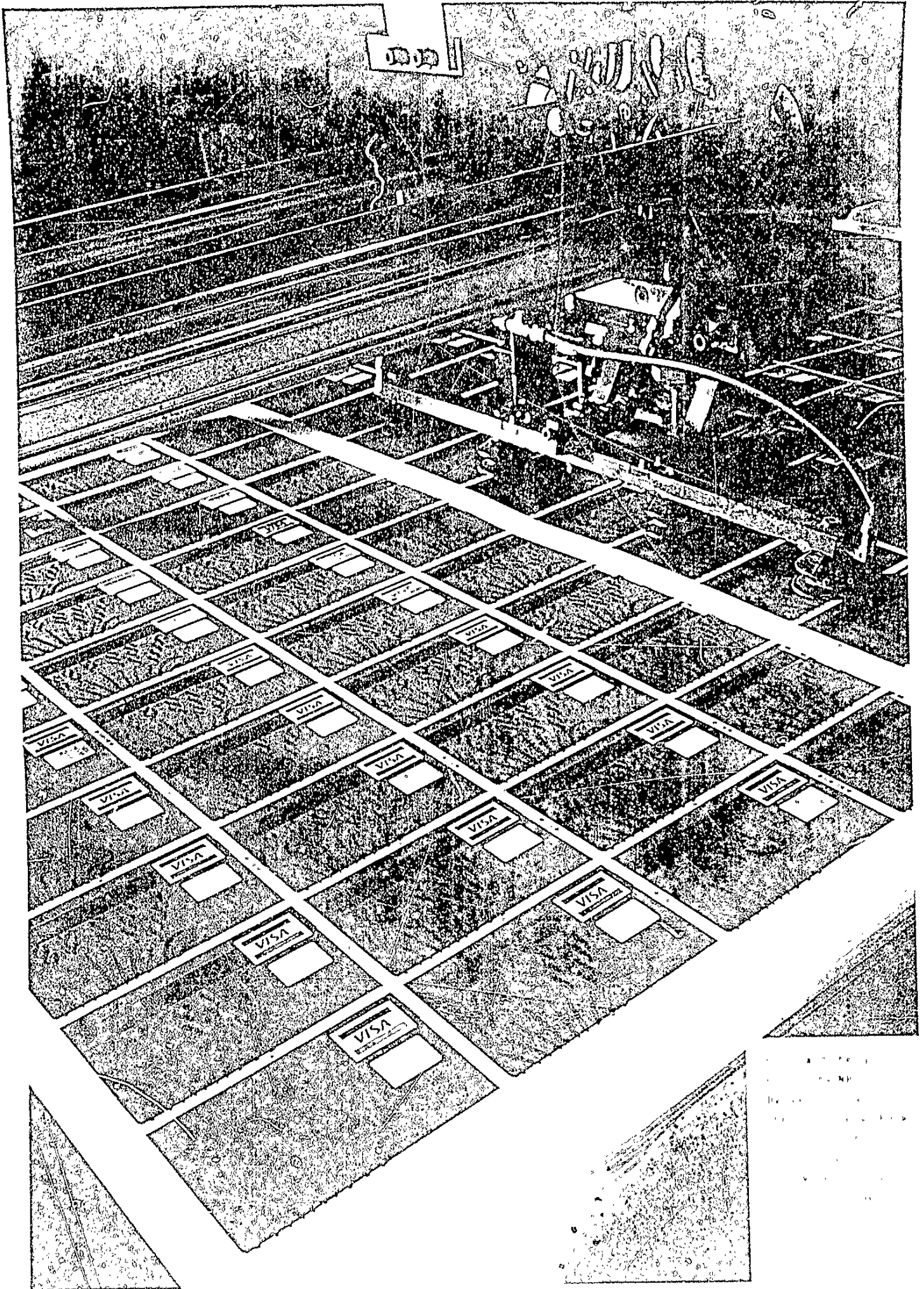
With a country-wide team of 90 advisers, CBFA offers independent advice to

the Bank's personal and corporate customers as well as to members of affinity groups with whom the Bank has a relationship.

As independent advisers, it has never been the practice of CBFA to recommend that customers abandon existing pension schemes contributed to by their employers. Because of this the Bank does not expect to be involved in this aspect of the enquiry into bad selling practices or the call for consequent compensation for customers badly misled by insurance and bank sales staff.

Pathfinder Worldwide launched in Guernsey

A number of offers on savings products has resulted in a growth in personal deposits over the year: a good result in a declining savings market. And in May the launch of Pathfinder Worldwide introduced the Bank's Pathfinder account to Channel Islands residents and the expatriate market with the added benefit of interest paid gross. The new account has already attracted healthy offshore balances.



THE CO-OPERATIVE BANK

IN THE COMMUNITY

Environmental policy to be launched in 1994

The Bank is aware that its responsibilities extend further than the provision of an efficient banking service to its customers. It can influence other organisations by withholding investment, and its ethical policy clearly specifies the types of organisation with whom it will or will not do business. Since the policy was established in 1991, customer involvement in its development has been encouraged.

Whilst the ethical policy includes clauses which have some impact on the environment, a more specific environmental code was drawn up for launch in 1994. The environmental policy will establish targets for improvement by the Bank in its various roles – as a provider of financial services, a major employer and as a user of resources.

Supporting community projects

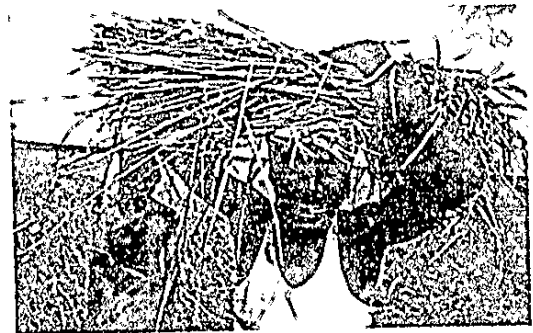
The Bank has for some years been involved with urban regeneration schemes working towards environmental and economic improvement. Its involvement with the East Manchester Partnership and with the bids to win the Olympics in 2000 and, now, the Commonwealth Games in 2002, are part of a determined effort to encourage continued revitalisation of the city. Lasting improvements to result from the Bank's involvement with the Olympic bid include a new sports arena for the city which, when built, will be the largest indoor arena in Europe.

The UK Co-operative Council continued to represent member organisations from its headquarters within The Co-operative Bank. In the two years since its formation, the UKCC has



Co-operative Bank staff across the country become more active in their support of community and charitable concerns every year. Glasgow staff stepped out in freezing conditions one night to raise money for the Big Issue project for homeless people.

provided an important source of support to individual co-operative endeavours as well as promoting the interests of co-operation in general. Financial and practical support was extended to numerous charities, environmental organisations, community groups and co-operatives over the year; with many more causes helped by the dedication and enthusiasm of branch staff. A special partnership was struck with Christian Aid in November. The two organisations have much in common, in both their historical roots and their present aims. Initially financial support will fund much of the promotional material for Christian Aid Week.



Farmworkers harvesting their first crop on land which is now theirs, with help from the Christian Aid supported group LAFTI (Land for the Tillers Freedom). The Co-operative Bank's funding for Christian Aid Week has released more money for such important projects.



Disappointed but not disenchanted. The Bank supported Manchester's Olympic bid. Keen to maximise the kudos and investment potential of attracting such international events, the city is now making a bid for the Commonwealth Games in 2002. This bid is also strongly supported by the Bank.

FINANCIAL
STATEMENTS
FOR THE
YEAR ENDED
8TH JANUARY
1994

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THE BOARD

Chairman

† T. Agar

Managing Director

T. J. Thomas F.C.I.B., Dip.I.A.

Non-Executive Directors

* G. R. Bennett	R. H. Burlton	† G. L. Fyfe	
D. T. Hughes	† G. J. Melmoth	* W. A. Prescott	† D. Skinner

* Member of the Audit Committee

† Member of the Remuneration Committee

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.

The Co-operative Bank p.l.c.

Registered in England No. 990937

Head Office and Registered Office

1 Balloon Street, Manchester M60 4EP.

Telephone: 061-832 3456. Telex: 667274. Fax: 061-829 4475.

City Office

9 Prescot Street, London E1 8SP

Telephone: 071-480 5171. Telex: 884533. Fax: 071-522 9312.

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

DIRECTORS'

REPORT

The Directors submit their report, together with the audited financial statements for the year ended 8th January 1994.

Results and Dividends

The profit on ordinary activities before taxation was £17,789,000 (1992-£9,845,000), an increase of £7,944,000 on 1992. After preference dividends of £5,535,000 the profit attributable to the ordinary shareholders amounted to £12,254,000. The Directors recommend a final dividend of 0.417p per ordinary share which amounts to £2,500,000, leaving £9,754,000 to be transferred to reserves as shown in the consolidated profit and loss account on page 27.

Activities and Business Review

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

The operating and financial review sets out the business of the Group for the year ended 8th January 1994 and future developments.

Branches

At 8th January 1994 the Bank had 109 branches, and had approximately 3,000 banking points at Co-operative retail societies.

Directors and their Interests

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

The following directors retired from the Board:

Director	Date of Retirement
B.D. Jones	30th April 1993
A. Arlow	16th May 1993
R.J. Gorvin	5th October 1993

The following director resigned from the Board:

Director	Date of Resignation
G. Younger	1st March 1994

The following directors were appointed to the Board:

Director	Date of Appointment
K.J. Lewis	18th May 1993
R.H. Burlton	15th June 1993

In accordance with the Articles of Association, Messrs. Lewis and Burlton, having been appointed since the date of the last Annual General Meeting, offer themselves for re-election.

Messrs. Agar, Marper and Prescott 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, which have not changed throughout the year, were as follows:

	No. of Shares	
	1993	1992
Mr T.J. Thomas	11,500	11,500
Mr W.J. Marper	11,042	11,042

DIRECTORS'

REPORT

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 which have not changed throughout the year:

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

The holdings in loan stock refer to convertible subordinated unsecured floating rate loan stock. Each £100 nominal of stock is convertible at the holder's option during May from 1993 to 2003, into 85 "C" ordinary shares of £1 each. There have been no changes in the directors' shareholdings between the end of the financial year and 29th March, 1994.

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, 62, Secretary of Lincoln Chemists Society and former Chief Executive of Lincoln Society.
- Graham Bennett, 43, Chief Executive of Portsea Island Mutual Society.
- Bob Burlton, 45, Chief Executive of Oxford, Swindon and Gloucester Society.
- Len Fyfe, 52, Chief Executive of Leicester Society.
- Trevor Hughes, 51, Chief Executive of Associated Co-operative Creameries.
- Graham Melmoth, 56, CWS Secretary.
- Alan Prescott, 51, CWS Controller, Finance and Property.
- David Skinner, 62, CWS Chief Executive.

Directors' and Officers' Liability Insurance Policy

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

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

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

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

The Audit Committee consists of two non-executive directors rather than three as recommended by the Cadbury report.

Our auditors, KPMG Peat Marwick, have confirmed to the directors that they are satisfied that this statement appropriately reflects the Bank's compliance with the Code of Best Practice, in so far as it relates to the paragraphs of the code which the London Stock Exchange has specified for their review.

Staff

The Bank and its subsidiary undertakings employed 3,886 persons at 8th January 1994 (1992-3,792). The weekly average number of persons was 3,871 (1992-3,763) and their aggregate remuneration for the year was £62,312,000 (1992-£59,845,000).

The Bank has an established programme for regular communication and consultation with its staff. Training programmes have been enhanced and the Bankwide Management Development programmes designed to improve individual performance and hence contribution to profitability have been continued.

The Bank introduced a common performance related pay scheme covering all staff based on individual and group performance against objectives defined in the corporate plan.

DIRECTORS'

REPORT

Disabled Persons

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

Donations

During the year, the Group made donations of £190,009 (1992-£180,345) 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.

Directors' Responsibilities

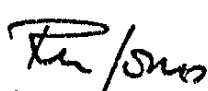
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for maintaining proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Bank and of the Group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Bank and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the Bank is to be proposed at the forthcoming Annual General Meeting.


By Order of the Board
R. K. Jones, Secretary
29th March 1994

**CONSOLIDATED
PROFIT &
LOSS ACCOUNT**

for the		Notes	1993 £'000	1992 £'000
year ended				
8th January 1994	Interest receivable			
	Interest receivable and other income arising from debt securities		20,301	20,555
	Other interest receivable and similar income		224,651	297,970
			<u>244,952</u>	<u>318,525</u>
	Interest payable		(114,955)	(193,584)
	Net Interest Income		<u>129,997</u>	<u>124,941</u>
	Dividend income	1	14	11
	Fees and commissions receivable		107,089	94,177
	Fees and commissions payable		(14,040)	(14,699)
	Dealing profits		2,810	3,006
	Other operating income		1,861	674
	Operating Income		<u>227,731</u>	<u>208,110</u>
	Administrative expenses			
	Staff costs	3	(82,008)	(74,479)
	Other		(79,762)	(71,030)
	Depreciation and amortisation	20	(10,653)	(10,132)
	Provisions for bad and doubtful debts	15		
	Specific		(38,444)	(43,376)
	General		-	570
	Income from associated undertakings		(38)	182
			<u>(210,905)</u>	<u>(198,265)</u>
	Operating profit		<u>16,826</u>	<u>9,845</u>
	Profit on sale of property		963	-
	Profit on Ordinary Activities before Taxation	4	<u>17,789</u>	<u>9,845</u>
	Taxation on profit on ordinary activities	7	(6,698)	(3,575)
	Profit on Ordinary Activities after Taxation		<u>11,091</u>	<u>6,270</u>
	Minority interests		(101)	(113)
	Profit for the Financial Year	8	<u>10,990</u>	<u>6,157</u>
	Dividends	9	(8,035)	(5,535)
	Retained Profit for the Year	29	<u>2,955</u>	<u>622</u>
	Earnings per share	10	<u>0.91 p</u>	<u>0.10 p</u>

(i) Movements in profit and loss account reserves are shown in note 29 on page 48.

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

CONSOLIDATED
BALANCE
SHEET



		1993	1992
		£'000	£'000
at			
8th January 1994			
Assets			
Cash and balances at central banks		31,813	29,204
Cheques in course of collection		156,076	122,899
Treasury bills and other eligible bills	12	-	49,706
Loans and advances to banks	13	1,018,907	981,541
Loans and advances to customers	14	1,720,947	1,655,234
Debt securities	16	382,883	225,863
Equity shares	17	880	880
Interests in associated undertakings	18	594	401
Tangible fixed assets	20	40,307	32,930
Other assets	21	14,164	12,944
Prepayments and accrued income		31,940	26,603
Total assets	11	3,398,511	3,128,205
Liabilities			
Deposits by banks	22	572,437	558,423
Customer accounts	23	2,410,507	2,148,682
Debt securities in issue	24	66,750	98,250
Other liabilities	25	73,622	48,015
Accruals and deferred income		29,758	29,582
Provisions for liabilities and charges			
Deferred taxation	26	7,450	10,423
Subordinated liabilities	27	81,033	81,034
Minority interests		6,621	6,458
Called up share capital	28		
Ordinary shares		30,000	30,000
Preference shares		60,000	60,000
Share premium account	29	8,814	8,814
Revaluation reserve	29	-	569
Profit and loss account	29	51,519	47,955
Share capital and reserves		150,333	147,338
Total liabilities	11	3,398,511	3,128,205
Memorandum Items	30		
Contingent liabilities			
Acceptances and endorsements		42,047	78,927
Guarantees and assets pledged as collateral security		69,675	44,399
		111,722	123,326
Commitments			
Other commitments		1,812,560	1,241,193
		1,812,560	1,241,193

Approved by the Board
29th March 1994

T. Agar, CHAIRMAN
T.J. Thomas, MANAGING DIRECTOR

The notes on pages 32 to 52 form part of these financial statements

BALANCE
SHEET



8th January 1994

	Notes	1993 £'000	1992 £'000
Assets			
Cash and balances at central banks		31,667	19,003
Cheques in course of collection		155,809	124,255
Treasury bills and other eligible bills	12	—	49,706
Loans and advances to banks	13	946,557	910,877
Loans and advances to customers	14	1,655,402	1,586,777
Debt securities	16	350,178	205,331
Equity shares	17	527	527
Interests in associated undertakings	18	17	17
Shares in group undertakings	19	1,157	1,157
Tangible fixed assets	20	39,806	32,485
Other assets	21	13,531	13,785
Prepayments and accrued income		28,369	24,845
Total assets	11	<u>3,223,020</u>	<u>2,968,765</u>
Liabilities			
Deposits by banks	22	572,437	560,397
Customer accounts	23	2,282,156	2,033,847
Debt securities in issue	24	66,750	98,250
Other liabilities	25	66,297	42,929
Accruals and deferred income		15,965	13,728
Provisions for liabilities and charges			
Deferred taxation	26	1,052	2,553
Subordinated liabilities	27	75,000	75,000
Called up share capital	28		
Ordinary shares		30,000	30,000
Preference shares		60,000	60,000
Share premium account	29	8,814	8,814
Profit and loss account	29	44,549	43,247
Share capital and reserves		<u>143,363</u>	<u>142,061</u>
Total liabilities	11	<u>3,223,020</u>	<u>2,968,765</u>
Memorandum Items	30		
Contingent liabilities			
Acceptances and endorsements		42,047	78,927
Guarantees and assets pledged as collateral security		69,372	44,007
		<u>111,419</u>	<u>122,934</u>
Commitments			
Other commitments		1,812,560	1,241,193
		<u>1,812,560</u>	<u>1,241,193</u>

Approved by the Board
29th March 1994

T. Agar, CHAIRMAN
T.J. Thomas, MANAGING DIRECTOR

The notes on pages 32 to 52 form part of these financial statements

STATEMENT OF
TOTAL RECOGNISED
GAINS & LOSSES

	1993 £'000	1992 £'000
Profit for the financial year	10,990	6,157
Revaluation of property	56	358
Total recognised gains and losses for the year	11,046	6,515

RECONCILIATION
OF MOVEMENTS
IN SHAREHOLDERS'
FUNDS

	1993 £'000	1992 £'000
Profit for the financial year	10,990	6,157
Dividends	(8,035)	(5,535)
Other recognised gains and losses for the year	56	358
Goodwill written off	(16)	(64)
Net increase in shareholders' funds	2,995	916
Shareholders' funds at beginning of year	147,338	146,422
Shareholders' funds at end of year	150,333	147,338

The notes on pages 32 to 52 form part of these financial statements

**CONSOLIDATED
CASH FLOW
STATEMENT**

for the		Notes	1993 £'000	1992 £'000
year ended				
8th January 1994	Net cash (outflow)/inflow from operating activities	31	(47,797)	242,745
	Returns on Investments and servicing of finance			
	Investment interest received		13,661	10,340
	Preference dividends paid		(5,550)	(5,550)
	Loan stock interest paid		(5,409)	(8,617)
	Net cash inflow/(outflow) from returns on Investments and servicing of finance		2,702	(3,827)
	Taxation			
	United Kingdom corporation tax received/(paid)		3,355	(1,878)
	Investing activities			
	Purchase of investments		(720,802)	(390,244)
	Sale of investments		587,791	317,552
	Purchase of tangible fixed assets		(16,195)	(9,820)
	Sale of tangible fixed assets		1,831	528
	Investment in associated undertakings		(275)	-
	Net cash outflow from investing activities		(147,650)	(81,984)
	Net cash (outflow)/inflow before financing		(189,390)	161,056
	Financing		-	-
	(Decrease)/increase in cash and cash equivalents	31	(189,390)	161,056
			(189,390)	161,056

ACCOUNTING POLICIES

1(a) Basis of consolidation and accounting date

- (i) The financial statements of the group relate to the 52 weeks to 8th January 1994. Since the group accounting date is virtually co-terminous with the calendar year 1993 the financial year's figures are headed 1993 and the corresponding figures for the previous year are headed 1992. The financial statements are prepared on a historical cost basis in accordance with applicable accounting standards and with the special provisions of Part VII of the Companies Act 1985 relating to Banking Groups.

The financial statements contain information prepared on a basis consistent with the requirements of the new Schedule 9 to the Companies Act 1985 which sets out specific requirements regarding the format of the balance sheet and profit and loss account. The statements also reflect the requirements of Financial Reporting Standard 3 which requires additional disclosures in the profit and loss account, a statement of total recognised gains and losses and a reconciliation of movements in shareholders' funds.

- (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 are taken to profit and loss account based on the maturity profile of the portfolio.

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.

ACCOUNTING POLICIES

(d) Depreciation

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

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

(e) Assets leased to customers

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

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

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

(f) Leased assets

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

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

(g) Deferred taxation

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

(h) Pension costs

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

(i) Exchange rates

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

(j) Off balance sheet instruments

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

(k) Dealing

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

**NOTES TO THE
FINANCIAL
STATEMENTS**

all amounts are		1993	1992
stated in	2. Dividend income		
£'000 unless	Income from equity shares	14	11
otherwise	3. Staff costs	1993	1992
indicated	Wages and salaries	63,312	59,845
	Social security costs	4,916	4,607
	Other pension costs	7,484	7,300
	Severance payments and relocation costs	4,474	1,418
	Other staff costs	2,822	1,309
		<u>82,008</u>	<u>74,479</u>
Other staff costs for 1992 have been reduced by a contribution from a business partner.			
	4. Profit on ordinary activities before taxation	1993	1992
Is stated after:			
(i) Income:			
	Aggregate amounts receivable, including capital repayments, under finance leases, hire purchase and conditional sale contracts	40,700	44,830
	Income from listed investments	10,191	10,711
	Profits less losses on securities dealing	798	2,411
	Profits less losses on disposal of investment securities	1,145	14
(ii) Charges:			
	Charges incurred in respect of subordinated liabilities	5,046	8,139
	Hire of computers, equipment and vehicles		
	operating lease rentals	2,801	2,825
	interest payments on finance leases	138	317
	depreciation on finance leases	951	1,058
	interest payments on hire purchase agreements	140	200
	depreciation on hire purchase agreements	710	287
	Other operating lease rentals	8,906	9,797
	Auditors' remuneration - parent company £145,000 (1992-£145,000)	241	245

The auditors' remuneration for non-audit work from The Co-operative Bank p.l.c. and its subsidiary undertakings was £105,000 (1992-£126,000).

NOTES TO THE FINANCIAL STATEMENTS

all amounts are

stated in

£'000 unless

otherwise

indicated

	1993	1992
5. Emoluments of directors		
Basic pay, pension contributions and benefits in kind	829	707
Compensation for loss of office	470	-
	<u>1,299</u>	<u>707</u>

The emoluments of the Chairman and the highest paid director were as follows:

1993	Basic pay & benefits in kind	Pension contributions	Total	1992	Basic pay & benefits in kind	Pension contributions	Total
Chairman	Nil	Nil	Nil	Chairman	Nil	Nil	Nil
Highest paid director	£166,185	£22,243	£188,428	Highest paid director	£158,479	£21,473	£179,952

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	
	1993	1992
Nil	9	10
5001 - 10,000	-	1
15,001 - 30,000	1	-
50,001 - 55,000	1	-
70,001 - 75,000	-	1
75,001 - 80,000	1	2
80,001 - 85,000	2	-
85,001 - 90,000	1	-
105,001 - 110,000	-	1
120,001 - 125,000	-	1
130,001 - 135,000	1	-
155,001 - 160,000	-	1
165,001 - 170,000	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 £7,184,000 (1992-£7,300,000). The pension charge is assessed in accordance with the advice of a qualified actuary using the attained age method. The latest actuarial assessment of the scheme was at 30th March 1991. 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 8½% per annum, that salary increases would average 6½% per annum and that present and future pensions would increase at the rate of 4½% per annum.

At the date of the latest actuarial valuation the market value of the assets of the scheme was £87,419,000 and the actuarial value of the assets was sufficient to cover 121% of the benefits that had accrued to members, after allowing for future increases in earnings.

The amount paid into the fund exceeds the amount charged in the profit and loss account by £533,000 (1992-£478,000) resulting in a prepayment of £541,000 (1992-£8,000 prepayment).

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

**NOTES TO THE
FINANCIAL
STATEMENTS**

all amounts are

stated in

£'000 unless

otherwise

indicated

	1993	1992
7. Taxation		
United Kingdom corporation tax at 33%	9,336	2,113
Tax credit on franked investment income	-	167
Deferred taxation	(2,973)	1,180
Notional tax on lease earnings equalisation	90	115
Creation of lease earnings equalisation	-	118
Under/(over) provision in previous years	201	(162)
	<u>6,654</u>	<u>3,531</u>
Share of associated undertakings' taxation	44	44
	<u>6,698</u>	<u>3,575</u>

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

£3,802,000 (1992-£472,000) 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	1993 pence per share	1992 pence per share	1993	1992
Proposed dividend on 600,000,000 ordinary shares of 5p each	0.417 p	-	2,500	-
Dividend on 60,000,000 9.25% non-cumulative irredeemable preference shares of £1 each (paid and proposed)	9.25 p	9.25 p	<u>5,535</u>	<u>5,535</u>
			<u>8,035</u>	<u>5,535</u>

10. Earnings per share

Earnings per share are calculated by dividing the profit for the financial year £10,990,000 (1992-£6,157,000) less dividends on preference shares £1,535,000 (1992-£5,535,000) by the weighted average number of ordinary shares 600,000,000 (1992-600,000,000) in issue during the year.

NOTES TO THE
FINANCIAL
STATEMENTS

all amounts are stated in £'000 unless otherwise indicated		The Group		The Bank	
		1993	1992	1993	1992
11. Assets					
<i>(i) Assets and liabilities</i>					
Denominated in sterling		3,184,437	2,891,829	3,008,946	2,732,389
Denominated in currencies other than sterling		214,074	236,376	214,074	236,376
Total assets		3,398,511	3,128,205	3,223,020	2,968,765
Denominated in sterling		3,263,059	2,948,797	3,087,568	2,789,357
Denominated in currencies other than sterling		135,452	179,408	135,452	179,408
Total liabilities		3,398,511	3,128,205	3,223,020	2,968,765
<i>(ii) Assets subject to sale and repurchase transactions</i>					
Debt securities		20,100	34,555	20,100	34,555
<i>(iii) Assets leased to customers</i>					
Loans and advances to customers		165,568	174,690	25,246	24,534
Assets acquired for the purpose of letting under finance leases		34,898	20,028	95	4,987
12. Treasury bills and other eligible bills					
		1993		1992	
		Balance sheet	Market value	Balance sheet	Market value
Group and Bank:					
Investment securities					
Other eligible bills		—	—	49,706	49,747
Unamortised discounts and premiums on investment securities		—		544	
Investment securities			Cost	Discounts and premiums	Carrying value
Group and Bank:					
At 9th January 1993			49,526	180	49,706
Acquisitions			9,905	—	9,905
Disposals			(59,431)	(819)	(60,250)
Amortisation of discounts and premiums			—	639	639
At 8th January 1994			—	—	—

**NOTES TO THE
FINANCIAL
STATEMENTS**

all amounts are		The Group		The Bank	
		1993	1992	1993	1992
stated in					
£'000 unless	13. Loans and advances to banks				
otherwise	Repayable on demand	2,163	2,555	2,172	2,555
indicated	Other loans and advances				
	Remaining maturity:				
	over 5 years	6,295	6,877	6,295	6,876
	5 years or less but over 1 year	1,075	2,012	-	-
	1 year or less but over 3 months	36,818	82,605	36,192	19,362
	3 months or less	972,556	887,492	901,898	882,086
		<u>1,018,907</u>	<u>981,541</u>	<u>946,557</u>	<u>910,877</u>
	Amounts include:				
	Due from subsidiary undertakings				
	unsubordinated			3,358	-
				<u>3,358</u>	<u>-</u>
	14. Loans and advances to customers				
	Remaining maturity:				
	over 5 years	305,963	308,853	257,492	251,359
	5 years or less but over 1 year	466,849	400,593	374,178	303,264
	1 year or less but over 3 months	236,869	235,307	208,394	202,443
	3 months or less	859,105	842,850	957,996	952,891
	General and specific bad and doubtful				
	debt provisions (note 15)	<u>(147,939)</u>	<u>(132,369)</u>	<u>(142,658)</u>	<u>(123,180)</u>
		<u>1,720,947</u>	<u>1,655,234</u>	<u>1,655,402</u>	<u>1,586,777</u>
	Of which repayable on demand or				
	at short notice	429,898	508,066	530,817	623,132
	Amounts include:				
	Due from subsidiary undertakings				
	unsubordinated			149,955	158,300
				<u>149,955</u>	<u>158,300</u>

**NOTES TO THE
FINANCIAL
STATEMENTS**

all amounts are stated in £'000 unless otherwise indicated	1993				1992			
	Specific	Suspended Interest	General	Total	Specific	Suspended Interest	General	Total
15. Provisions for bad and doubtful debts								
Group:								
At 9th January 1993	114,440	12,488	5,441	132,369	87,404	5,556	6,011	98,971
Suspended interest	-	4,933	-	4,933	-	7,006	-	7,006
Charge against profits	38,444	-	-	38,444	43,376	-	(570)	42,806
Amounts written off	(27,168)	(968)	-	(28,136)	(19,094)	(74)	-	(19,168)
Recoveries	329	-	-	329	248	-	-	248
Acquired portfolio	-	-	-	-	2,506	-	-	2,506
At 8th January 1994	126,045	16,453	5,441	147,939	114,440	12,488	5,441	132,369
Bank:								
At 9th January 1993	106,843	11,105	5,232	123,180	81,085	4,943	5,682	91,710
Suspended interest	-	4,673	-	4,673	-	6,236	-	6,236
Charge against profits	36,329	-	-	36,329	40,785	-	(450)	40,335
Amounts written off	(21,450)	(403)	-	(21,853)	(17,781)	(74)	-	(17,855)
Recoveries	329	-	-	329	248	-	-	248
Acquired portfolio	-	-	-	-	2,506	-	-	2,506
At 8th January 1994	122,051	15,375	5,232	142,658	106,843	11,105	5,232	123,180

All provisions are held against loans and advances to customers.

During 1992 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	144,225	149,959
Provision	(65,913)	(53,514)
	<u>78,312</u>	<u>96,445</u>
Bank advances	140,504	141,248
Provision	(65,818)	(51,164)
	<u>74,686</u>	<u>90,084</u>

NOTES TO THE
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indicated

		The Group				The Bank			
		1993		1992		1993		1992	
		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		153,844	163,063	74,006	76,109	136,139	144,670	63,474	64,745
other public sector securities		2,906	3,797	6,230	6,678	2,906	3,797	6,230	6,678
		<u>156,750</u>	<u>166,860</u>	<u>80,236</u>	<u>82,787</u>	<u>139,045</u>	<u>148,467</u>	<u>69,704</u>	<u>71,423</u>
Other securities									
government securities		7,859	-	-	-	7,859	-	-	-
		<u>164,609</u>		<u>80,236</u>		<u>146,904</u>		<u>69,704</u>	
Issued by other issuers									
Investment securities									
bank and building society									
certificates of deposit		175,016	175,208	110,047	109,988	160,016	160,208	100,047	99,988
other debt securities		24,436	29,502	25,422	26,144	24,436	29,502	25,422	26,144
		<u>199,452</u>	<u>204,710</u>	<u>135,469</u>	<u>136,132</u>	<u>184,452</u>	<u>189,710</u>	<u>125,469</u>	<u>126,132</u>
Other securities									
bank and building society									
certificates of deposit		20,073		9,003		20,073		9,003	
other debt securities		9,984		5,000		9,984		5,000	
		<u>29,057</u>		<u>14,003</u>		<u>29,057</u>		<u>14,003</u>	
		<u>394,118</u>		<u>229,708</u>		<u>361,413</u>		<u>209,176</u>	
Unamortised profit on sales of investment securities		(11,235)		(3,845)		(11,235)		(3,845)	
		<u>382,883</u>		<u>225,863</u>		<u>350,178</u>		<u>205,331</u>	
Amounts include:									
Subordinated debt securities		9,984		5,000		9,984		5,000	
		<u>9,984</u>		<u>5,000</u>		<u>9,984</u>		<u>5,000</u>	
(ii) Maturity									
Due within one year		199,130		119,150		180,089		109,150	
Due one year and over		194,988		110,558		181,324		100,026	
		<u>394,118</u>		<u>229,708</u>		<u>361,413</u>		<u>209,176</u>	
Unamortised profit on sales of investment securities		(11,235)		(3,845)		(11,235)		(3,845)	
		<u>382,883</u>		<u>225,863</u>		<u>350,178</u>		<u>205,331</u>	
Unamortised discounts and (premiums) on investment securities		(9,824)		(8,587)		(11,119)		(8,055)	

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indicated

		The Group				The Bank			
		1993		1992		1993		1992	
		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		181,008	196,184	105,380	108,653	163,303	177,791	94,848	97,289
unlisted		175,194	175,386	110,325	110,266	160,194	160,386	100,325	100,266
		356,202	371,570	215,705	218,919	323,497	338,177	195,173	197,555
Unamortised profit on sales of investment securities		(11,235)		(3,845)		(11,235)		(3,845)	
		344,967		211,860		312,262		191,328	
Other securities listed on a recognised UK exchange		17,843		5,000		17,843		5,000	
unlisted		20,073		9,003		20,073		9,003	
		37,916		14,003		37,916		14,003	
		382,883		225,863		350,178		205,331	

	Cost	Discounts and premiums	Unamortised profit on sales	Carrying value
(iv) Movement				
Investment securities				
Group:				
At 9th January 1993	217,640	(1,935)	(3,845)	211,860
Acquisitions	720,802	-	-	720,802
Disposals	(581,030)	1,774	(8,535)	(587,791)
Amortisation	-	(1,049)	1,145	96
At 8th January 1994	357,412	(1,210)	(11,235)	344,967
Bank:				
At 9th January 1993	195,770	(597)	(3,845)	191,328
Acquisitions	599,982	-	-	599,982
Disposals	(472,048)	1,262	(8,535)	(479,321)
Amortisation	-	(872)	1,145	273
At 8th January 1994	323,704	(207)	(11,235)	312,262

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all amounts are		The Group		The Bank	
		1993	1992	1993	1992
stated in	17, Equity shares				
£'000 unless	Investment securities				
otherwise	unlisted	880	880	527	527
indicated				Group and Bank	
				1993	1992
	Included above is the following trade investment:				
	BACS Ltd 79,583 (1992-79,583) ordinary shares of £1 each			527	527

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

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 are quoted, are:

Associated undertakings	Nature of business	Total issued share capital at 8th January 1994	Group interest 1993	Group interest 1992
* Co-operative Pension Funds Unit Trust Managers Limited	Investment managers	165,000 Ordinary shares of £1 each	33%	33%
§ Unity Pension Services Limited	Marketing of pension plans	400,000 Ordinary shares of £1 each	18%	18%
§ Unity Financial Services Limited	Marketing of financial services	1,000,000 Ordinary shares of £1 each	18%	18%
§ Jacques Martin Unity Limited	Administration of pension schemes	550,000 Ordinary shares of £1 each	18%	—

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

§ Held by Unity Trust Bank plc

The interest in associated undertakings is made up as follows:

	Group share of net assets	Bank Cost
At 9th January 1993	401	17
Acquisitions	275	—
Retained loss	(82)	—
At 8th January 1994	594	17

NOTES TO THE FINANCIAL STATEMENTS

all amounts are

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otherwise
indicated

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 1968. 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 8th January 1994	Group Interest 1993	Group Interest 1992
* Unity Trust Bank plc	Banking	10,890,221 Ordinary shares of £1 each	36%	36%
Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
First Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Second Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Third Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Fourth Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Co-operative Bank Financial Advisers Limited	Financial advisers	100,000 Ordinary shares of £1 each	100%	100%
§ CIM Fund Managers Limited	Investment managers	10,000 Ordinary shares of £1 each	100%	100%
CIM Unit Trust Managers Limited	Unit trust managers	10,000 Ordinary shares of £1 each	100%	100%
Larchvale Limited	Building contractors	2 Ordinary shares of £1 each	100%	100%
* Unity Investment Management Limited	Investment managers	10,000 Ordinary shares of £1 each	36%	36%
* Unity Security Balloting Services Limited	Balloting services	40,000 Ordinary shares of £1 each	27%	29%
* Unity Corporate Advisors Limited	Corporate finance	60,000 Ordinary shares of £1 each	36%	-
Shares in Group undertakings:		Cost	Provision	Carrying value
At 9th January 1993		1,552	(395)	1,157
Acquisition		-	-	-
At 8th January 1994		1,552	(395)	1,157

The above provision is held against dormant subsidiaries.

* Held through subsidiary undertakings.

§ This company changed its name from Co-operative Investment Management Limited on 18th February 1993. Details of all Group companies will be annexed to the Bank's next annual return.

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19. Ultimate holding organisation and subsidiary undertakings (continued)

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

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

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

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

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

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

20. Tangible fixed assets

	Freehold and leasehold buildings	Computer and other equipment	Finance leased assets	Assets held under hire purchase agreements	Total
Group:					
Cost					
At 9th January 1993	2,456	86,814	3,727	1,727	94,724
Additions	1,103	14,757	3,260	-	19,120
Disposals	(250)	(6,884)	-	(1,727)	(8,861)
At 8th January 1994	<u>3,309</u>	<u>94,687</u>	<u>6,987</u>	<u>-</u>	<u>104,983</u>
Accumulated depreciation					
At 9th January 1993	846	58,529	2,132	287	61,794
Disposals	(113)	(6,661)	-	(997)	(7,771)
Charge for the year	67	8,925	951	710	10,653
At 8th January 1994	<u>800</u>	<u>60,793</u>	<u>3,083</u>	<u>-</u>	<u>64,676</u>
Net book value at 8th January 1994	<u>2,509</u>	<u>33,894</u>	<u>3,904</u>	<u>-</u>	<u>40,307</u>
Net book value at 9th January 1993	<u>1,610</u>	<u>28,285</u>	<u>1,595</u>	<u>1,440</u>	<u>32,930</u>
Bank:					
Cost					
At 9th January 1993	2,456	85,774	3,727	1,727	93,684
Additions	1,103	14,557	3,260	-	18,920
Disposals	(250)	(6,884)	-	(1,727)	(8,861)
At 8th January 1994	<u>3,309</u>	<u>93,447</u>	<u>6,987</u>	<u>-</u>	<u>103,743</u>
Accumulated depreciation					
At 9th January 1993	846	57,934	2,132	287	61,199
Disposals	(113)	(6,661)	-	(997)	(7,771)
Charge for the year	67	8,781	951	710	10,509
At 8th January 1994	<u>800</u>	<u>60,054</u>	<u>3,083</u>	<u>-</u>	<u>63,937</u>
Net book value at 8th January 1994	<u>2,509</u>	<u>33,393</u>	<u>3,904</u>	<u>-</u>	<u>39,806</u>
Net book value at 9th January 1993	<u>1,610</u>	<u>27,840</u>	<u>1,595</u>	<u>1,440</u>	<u>32,485</u>

NOTES TO THE
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Group and Bank

1993

1992

20. Tangible fixed assets (continued)

The net book value of land and buildings comprises:

Freehold

Long leasehold

Short leasehold

Future capital expenditure:

Contracted but not provided in
the accounts

Authorised by the directors but
not contracted

2,394

22

93

2,509

1,687

1,060

2,747

1,484

23

103

1,610

266

880

1,146

21. Other assets

The Group

The Bank

1993

1992

1993

1992

Foreign exchange and interest rate
contracts

Trade debtors

Taxation and ACT recoverable

11,257

2,907

—

14,164

4,095

5,139

3,710

12,944

11,257

2,274

—

13,531

4,095

5,839

3,851

13,785

22. Deposits by banks

The Group

The Bank

1993

1992

1993

1992

With agreed maturity dates or periods
of notice, by remaining maturity:

1 year or less but over 3 months

3 months or less but not repayable
on demand

Repayable on demand

3,209

554,866

14,362

572,437

38,865

508,039

11,519

558,423

3,209

554,866

14,362

572,437

38,865

509,782

11,750

560,397

Amounts include:

Due to subsidiary undertakings

—

1,974

23. Customer accounts

The Group

The Bank

1993

1992

1993

1992

With agreed maturity dates or periods
of notice, by remaining maturity:

5 years or less but over 1 year

1 year or less but over 3 months

3 months or less but not repayable
on demand

Repayable on demand

37,299

19,569

1,022,090

1,331,549

2,410,507

28,625

15,071

1,063,566

1,041,420

2,148,682

37,299

19,569

983,678

1,241,610

2,282,156

28,625

15,071

1,008,726

981,425

2,033,847

Amounts include:

Due to subsidiary undertakings

Due to parent organisation

Due to fellow subsidiary undertakings

3,550

24,516

19,827

4,087

27,603

19,788

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all amounts are		The Group		The Bank	
		1993	1992	1993	1992
stated in	24. Debt securities in issue				
£'000 unless	Other debt securities in issue, by				
	remaining maturity:				
otherwise	1 year or less but over 3 months	14,750	14,500	14,750	14,500
	3 months or less	52,000	83,750	52,000	83,750
indicated		<u>66,750</u>	<u>98,250</u>	<u>66,750</u>	<u>98,250</u>

	The Group		The Bank	
	1993	1992	1993	1992
25. Other liabilities				
Foreign exchange and interest rate contracts	8,692	3,232	8,692	3,232
Items in the course of transmission to other banks	7,425	6,709	7,425	6,709
Trade creditors	33,193	26,884	28,585	21,798
Taxation	8,721	—	6,004	—
Finance lease future obligations	12,529	8,972	12,529	8,972
HP creditors future obligations	—	1,610	—	1,610
Dividends	3,062	608	3,062	608
	<u>73,622</u>	<u>48,015</u>	<u>66,297</u>	<u>42,929</u>
External obligations under finance leases				
Gross obligations payable within one year	3,855	3,749	3,855	3,749
between one and five years	10,708	6,739	10,708	6,739
in five years or more	778	148	778	148
	<u>15,341</u>	<u>10,636</u>	<u>15,341</u>	<u>10,636</u>
Less future finance charges	<u>2,812</u>	<u>1,664</u>	<u>2,812</u>	<u>1,664</u>
	<u>12,529</u>	<u>8,972</u>	<u>12,529</u>	<u>8,972</u>
External obligations under hire purchase agreements				
Gross obligations payable within one year	—	1,180	—	1,180
between one and five years	—	825	—	825
	<u>—</u>	<u>2,005</u>	<u>—</u>	<u>2,005</u>
Less future finance charges	<u>—</u>	<u>395</u>	<u>—</u>	<u>395</u>
	<u>—</u>	<u>1,610</u>	<u>—</u>	<u>1,610</u>

NOTES TO THE FINANCIAL STATEMENTS

all amounts are stated in £'000 unless otherwise indicated		The Group		The Bank	
		1993	1992	1993	1992
	26. Deferred taxation				
	Taxation deferred by timing differences in accordance with the basis of accounting set out in Accounting Policy (g)				
	Short term differences	166	37	390	301
	Losses and other timing differences	(12,165)	(9,960)	(4,153)	(1,948)
	Capital allowances on fixed assets	2,475	1,975	2,475	1,975
	Capital allowances on assets leased to customers	16,974	18,371	2,340	2,225
		<u>7,450</u>	<u>10,423</u>	<u>1,052</u>	<u>2,553</u>
	The movement in the deferred taxation balance has all taken place through the Profit and Loss Account	(2,973)	1,180	(1,501)	1,442
	The potential amount of deferred taxation not provided in the financial statements (all in respect of accelerated capital allowances) is	<u>7,275</u>	<u>7,873</u>	<u>1,003</u>	<u>953</u>

The potential liability on rolled over gains amounts to £922,000 (1992-£922,000).

27. Subordinated liabilities	The Group		The Bank	
	1993	1992	1993	1992
£75,000,000 Subordinated Floating Rate (minimum 5¼%) 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	<u>6,033</u>	<u>6,034</u>	<u>-</u>	<u>-</u>
	<u>81,033</u>	<u>81,034</u>	<u>75,000</u>	<u>75,000</u>

Subordinated Floating Rate Notes 2000

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

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

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

Subordinated Floating Rate Loan Stock 2003

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

Each £100 nominal of loan stock is convertible at the holder's option during May in any of the years 1993 to 2003 into 85 'C' ordinary shares of £1 each. During the year loan stock amounting to £900 was converted into 765 'C' ordinary shares.

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

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all amounts are

		1993	1992
stated in	28. Called up share capital		
£'000 unless	Authorised	105,000	105,000
otherwise	600,000,000 ordinary shares of 5p each	30,000	30,000
indicated	75,000,000 9.25% non-cumulative irredeemable preference shares of £1 each	75,000	75,000
	Issued	105,000	105,000
	600,000,000 ordinary shares of 5p each	30,000	30,000
	60,000,000 9.25% non-cumulative irredeemable preference shares of £1 each	60,000	60,000
	All the issued share capital has been allotted, called up and fully paid.		

29. Reserves	Bank and subsidiary undertakings	Associated undertakings	Group	Bank
Share premium account				
At 9th January 1993	8,814	-	8,814	8,814
At 8th January 1994	8,814	-	8,814	8,814
Revaluation reserve				
At 9th January 1993	569	-	569	-
Revaluation of investment property	56	-	56	-
Transfer to profit and loss account	(625)	-	(625)	-
At 8th January 1994	-	-	-	-
Profit and loss account				
At 9th January 1993	48,809	(854)	47,955	43,247
Retentions for the year	3,037	(82)	2,955	1,302
Goodwill written off	(16)	-	(16)	-
Other movements	(214)	214	-	-
Transfer from revaluation reserve	625	-	625	-
At 8th January 1994	52,241	(722)	51,519	44,549

The cumulative amount of goodwill arising on the acquisition of subsidiary undertakings, net of goodwill attributed to subsidiary undertakings disposed of, is £247,000 (1992-£231,000).

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 Basle agreement on capital adequacy.

	1993				1992	
	Contract amount	Credit equivalent amount	Risk weight	Risk weighted amount	Contract amount	Risk weighted amount
Group:						
Contingent Liabilities						
Acceptances and endorsements	42,047	42,047	73.8%	31,037	78,927	63,927
Guarantees and irrevocable letters of credit	69,675	61,325	97.4%	59,734	44,399	31,247
	<u>111,722</u>			<u>90,771</u>	<u>123,326</u>	<u>95,174</u>

NOTES TO THE
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all amounts are stated in £'000 unless otherwise indicated	1993				1992	
	Contract amount	Credit equivalent amount	Risk weight	Risk weighted amount	Contract amount	Risk weighted amount
30. Memorandum Items, foreign exchange and interest rate contracts (continued)						
Bank:						
Contingent Liabilities						
Acceptances and endorsements	42,047	42,047	73.8%	31,037	78,927	63,927
Guarantees and irrevocable letters of credit	69,372	61,174	97.4%	59,583	44,007	31,051
	<u>111,419</u>			<u>90,620</u>	<u>122,934</u>	<u>94,978</u>
Group and Bank:						
Other commitments						
documentary credits and short-term trade-related transactions	510	102	86.3%	88	514	93
forward asset purchases and forward deposits placed	71,106	71,106	19.3%	13,746	21,661	4,332
undrawn note issuance and revolving underwriting facilities	25,607	12,804	95.4%	12,208	42,354	20,177
undrawn formal standby facilities, credit lines and other commitments to lend:						
1 year and over	1,124	562	100%	562	758	379
less than 1 year (ii)	<u>1,714,213</u>	—	—	—	<u>1,175,906</u>	—
	<u>1,812,560</u>			<u>26,604</u>	<u>1,241,193</u>	<u>24,981</u>
Exchange rate contracts (iii)						
hedging	413,721	3,520	21.7%	765	283,532	622
Interest rate contracts (iii)						
hedging	859,958	24,167	24.1%	5,815	625,527	3,772
trading	560,975	555	22.9%	127	290,000	128
				<u>6,707</u>		<u>4,522</u>
Replacement cost:						
exchange rate contracts	957				1,054	
interest rate contracts	<u>22,467</u>				<u>14,547</u>	
	<u>23,424</u>				<u>15,601</u>	

Notes:

- i. Under the Basle agreement, credit equivalent amounts, obtained by applying credit conversion factors, are risk weighted according to counterparty.
- ii. Undrawn loan commitments which are conditionally cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.
- 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.

NOTES TO THE
FINANCIAL
STATEMENTS

all amounts are

stated in

£'000 unless

otherwise

indicated

31. Consolidated cash flow statement

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

	1993	1992
Group profit on ordinary activities before taxation	17,789	9,845
Share of loss/(profit) of associated undertakings	38	(182)
Investment income	(17,949)	(11,014)
(Increase)/decrease in prepayments and accrued income	(5,337)	13,760
Increase/(decrease) in accruals and deferred income	5,265	(14,876)
Charges in respect of subordinated liabilities	5,046	8,139
Effect of exchange rate movements	(1,776)	(1,916)
Provision for bad and doubtful debts	38,444	42,806
Notional tax on lease earnings equalisation	(90)	(115)
Depreciation	10,653	10,132
Amortisation of investments	1,049	103
(Profit) on sale of investments	(1,145)	(14)
(Profit)/loss on sale of fixed assets	(741)	1,605
Net cash flow from trading activities	51,246	58,278
Net increase in deposits	169,587	32,000
Net (increase)/decrease in loans and advances	(235,453)	145,395
Net (increase)/decrease in cheques in course of collection	(33,177)	13,072
Net cash flow from operating activities	(47,797)	248,745
<i>Analysis of changes in cash and cash equivalents during the year</i>		
At 9th January 1993	512,142	349,170
Net cash (outflow)/inflow before adjustments for the effect of foreign exchange rate changes	(189,390)	161,056
Effect of foreign exchange rate changes	1,776	1,916
At 8th January 1994	324,528	512,142

	1993	1992	Change in year
<i>Analysis of the balances of cash and cash equivalents</i>			
Coin and bank notes and amounts with central banks	31,813	19,003	12,810
Money at call and short notice	881,017	995,554	(114,537)
Advances from banks	(588,302)	(502,415)	(85,887)
	324,528	512,142	(187,614)

The Group is required to maintain balances with the Bank of England which at 8th January 1994 amounted to £6,441,000 (1992-£7,100,000).

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

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

Net (increase)/decrease in loans and advances includes the movement in loans and advances to banks, with an original maturity of three months or more, loans and advances to customers, other debt securities and debtors.

Net increase in deposits includes the movement in deposits by banks, and debt securities in issue, with an original maturity of three months or more, customer accounts and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

all amounts are		1993	1992
stated in	32. Segmental analysis		
£'000 unless	The Group's activities have been segmented between branch banking, other financial services (mainly leasing, advisory services, correspondent banking and fund management) and Unity Trust group.		
otherwise	Profit before taxation:		
indicated	Branch banking	73,308	56,245
	Other financial services	12,479	9,218
		<u>85,787</u>	<u>65,463</u>
	Shared costs:		
	Centralised service and processing	(43,491)	(39,438)
	Management services and marketing	(17,252)	(15,439)
		<u>25,044</u>	<u>10,586</u>
	Profit before restructuring and service development costs	25,044	10,586
	Unity Trust group and associates	270	676
	Restructuring and service development costs	(7,525)	(1,417)
		<u>17,789</u>	<u>9,845</u>
	Profit before taxation		
	Gross assets:		
	Branch banking	2,888,306	2,665,715
	Other financial services	170,069	173,193
	Unity Trust group	150,149	137,820
	Group central assets	189,987	151,477
		<u>3,398,511</u>	<u>3,128,205</u>
	Total		
	Net assets:		
	Branch banking	62,731	78,771
	Other financial services	20,585	16,068
	Unity Trust group	10,207	10,955
	Group central net assets	63,431	48,002
		<u>156,954</u>	<u>153,796</u>
	Total		

The segmental analysis for the year ended 9th January 1993 has been restated to reflect minor changes in the Bank's structure to enable direct comparison with the analysis for the year ended 8th January 1994.

Net assets are share capital, reserves and minority interest.

33. Directors' and Officers' Loans

The aggregate amounts outstanding at 8th January 1994 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	£338,266	10
quasi-loans	£9,737	13
Officers		
loans	£1,768,904	35
quasi-loans	£47,269	33

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

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FINANCIAL
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all amounts are stated in £'000 unless otherwise indicated	1993		1992	
	Land and buildings	Computer and other equipment	Land and buildings	Computer and other equipment
34. General				
<i>(i) Operating lease commitments</i>				
At the year end, annual commitments under non-cancellable operating leases were:				
Group:				
Expiring within one year	1,422	260	1,056	310
between one and five years	635	754	562	978
in five years or more	7,183	—	6,883	—
	<u>9,240</u>	<u>1,014</u>	<u>8,501</u>	<u>1,288</u>
Bank:				
Expiring within one year	1,422	241	1,056	292
between one and five years	635	641	562	856
in five years or more	6,964	—	6,673	—
	<u>9,021</u>	<u>882</u>	<u>8,291</u>	<u>1,148</u>

(ii) Lease and similar finance arrangements

Amounts financed during the year under finance leases were £3,260,000 (1992-£571,000) and under hire purchase and conditional sale agreements £NIL (1992-£1,727,000).

(iii) Management and agency services

The Group has investment management business.

(iv) Average number of employees

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

	1993	1992
Managers	474	448
Clerical staff	<u>3,397</u>	<u>3,315</u>
	<u>3,871</u>	<u>3,763</u>

(v) Concentration of exposure

The group's exposure is principally within the United Kingdom. The following industry concentrations of gross advances are considered significant.

	1993	1992
Distribution, hotels and catering	418,323	373,343
Business and other services	617,237	595,478
Home loans	104,320	118,471
Personal	<u>543,947</u>	<u>435,329</u>

AUDITORS' REPORT

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

We have audited the financial statements on pages 27 to 32.

Respective responsibilities of directors and auditors

As described on page 26 the Bank's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Bank'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 8th January 1994 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors
Manchester
29th March 1994

FIVE YEAR

RECORD

	1993 £'000	1992 £'000	1991 £'000	1990 £'000	1989 £'000
Balance Sheet					
Share Capital	90,000	90,000	90,000	90,000	90,000
Reserves	60,333	57,338	56,422	63,420	73,807
Shareholders' Funds	150,333	147,338	146,422	153,420	163,807
Minority Interests	6,621	6,458	6,381	7,287	7,636
Subordinated Liabilities	81,033	81,034	81,034	81,034	81,034
Deposits	2,981,944	2,707,105	2,437,853	2,621,121	2,355,284
Tangible Fixed Assets	40,307	32,930	32,503	32,071	31,500
Loans and Advances	2,739,854	2,636,775	2,408,172	2,597,227	2,378,342
Debt Securities	382,883	225,863	159,194	182,498	171,373
Profitability					
Profit/(loss) Before Taxation	17,789	9,845	(5,972)	(14,872)	18,543
Profit/(loss) After Taxation	11,091	6,270	(2,629)	(5,128)	10,899
Dividends	8,035	5,535	5,535	5,535	7,211
Retentions	2,955	622	(7,209)	(10,387)	3,376
Returns					
Profit/(loss) Before Taxation/ Average Shareholders' Funds	11.95%	6.70%	(3.98%)	(9.38%)	11.70%
Earnings Per Share (5p equivalent)	0.91p	0.10p	(1.20p)	(1.73p)	0.98p