

Regulatory News Service Announcement

10 NOVEMBER 2010

The Board of Directors of The Co-operative Bank p.l.c. (the **Co-op Bank Board**) have resolved to offer to purchase the mortgage loans currently held by Leek Finance Number Sixteen PLC (**Leek 16**), which will enable Leek 16 to call the notes issued by it (the **Leek 16 Notes**) on their step-up and call date falling in December 2010.

The Co-op Bank Board have approached the Board of Directors of Leek 16 (the **Leek 16 Board**) regarding the purchase of the mortgage loans, the Leek 16 Board have in principle accepted this offer and agreed that, subject to the final approval of the Leek 16 Board, Leek 16 will use the proceeds of the sale of the mortgages loans to redeem the Leek 16 Notes in December, 2010. In the event the Leek 16 Board accepts this offer this will have the following consequences for the Co-operative Bank p.l.c. (the **Co-op Bank**).

As a result of the merger between Britannia Building Society and the Co-op Bank on 1 August 2009, the assets and liabilities of the Britannia Building Society were fair valued as described in note 39 to the 2009 Financial Statements of the Co-op Bank. The fair value adjustments to the liabilities in the Co-op Bank's accounts represented by the Leek 16 securitisation transaction amortise over several years from the date of the merger. As a result of the redemption of the Leek 16 Notes by Leek 16 on their step-up and call date in December 2010, the fair value adjustments relating to Leek 16 will not amortise over future years but will unwind on the step-up and call date. This accelerated unwind of the fair value adjustments together with fair value unwinds on other assets and liabilities will be largely neutral from a 2010 profit perspective. The impact on core tier 1 capital of the accelerated unwind of these fair value adjustments will be more than offset by a capital injection into the Co-op Bank. The precise impact will be published in Co-op Bank's 2010 accounts.

Should you require further information, please contact cfsinvestorrelations@cfs.coop