

THE LEEK AND DOVEDALE PROGRAMMES

LEEK TRANSACTIONS

The Board of Directors of The Co-operative Bank p.l.c. (the **Bank**) have resolved not to repurchase the mortgage loans held by Leek Finance Number Seventeen PLC (**Leek 17**), Leek Finance Number Eighteen PLC (**Leek 18**) and Leek Finance Number Nineteen PLC (**Leek 19**) on their step-up and call dates of 21 June 2011, 21 December 2011 and 21 June 2012 respectively. This will have the result that the notes issued by Leek 17, Leek 18 and Leek 19 will not be redeemed by the respective Leek issuer on their step-up and call dates.

Leek 17, Leek 18 and Leek 19 will launch a consent solicitation to seek the consent of the class A2 noteholders in the Leek transactions to certain amendments to the Leek transactions as summarised below and more fully set out in the RNS announcements of Leek 17, Leek 18 and Leek 19 respectively dated today's date.

If the consent solicitation is successful, the Leek 17, Leek 18 and Leek 19 notes will be restructured to include an investor redemption option exercisable at the discretion of the noteholders at a date falling five years from the relevant Leek transaction's step-up and call date. This will be funded by the Bank through a variable funding note issued by each of the Leek 17, Leek 18 and Leek 19 issuers. This provides certainty to Leek noteholders of the term of their investment should they wish to exercise their option to require the relevant Leek issuer to redeem their notes.

The Bank will lend money on a subordinated basis to each Leek issuer which will allow them to purchase the following amounts of UK gilts: in respect of Leek 17, £137 million, in respect of Leek 18, £163 million and in respect of Leek 19, £158 million. The Leek issuers will use the gilts as additional credit support. This will reduce the credit risk for the Leek noteholders during the extension period.

The class A noteholders in each Leek transaction will, provided no event of default has occurred in respect of the relevant Leek issuer, receive a redemption premium payable on the redemption in full of the class A notes. The premium will be equal to the aggregate of 0.25 per cent. of the principal amount outstanding of the relevant series of class A notes on the step-up and call date multiplied by the number of interest payment dates which elapse between the relevant step-up and call date and the date on which the class A notes are redeemed. This amount will be capped at an amount equal to five per cent of the principal amount outstanding of the relevant series of class A notes as at the step-up and call date of the relevant Leek transaction. The premium will be applied pro-rata and pari passu to each class A noteholder based on the amount of notes it holds.

In accordance with accounting rules, fair value adjustments were made to the liabilities in the Bank's accounts represented by the Leek 17, Leek 18 and Leek 19 securitisation transactions on the merger of Britannia Building Society and the Bank in 2009. These fair value adjustments have the effect of initially reducing the balance sheet carrying value of the liabilities, and amortise as a charge to profit and loss over several years from the date of the merger to anticipated redemption date for each of the instruments in issue. The amortisation period for the liabilities relating to Leek 17, Leek 18 and Leek 19 was initially set as the period to anticipated clean-up call date for these structures, since

this was the redemption date ascribed to them by the Directors at the time of the merger. The redemption of these liabilities by the Bank or its subsidiaries on their respective step-up and call dates would result in these fair value adjustments unwinding on the relevant step-up and call date, with a corresponding one-off charge to profit and loss, rather than amortising over time.

The Bank has claimed regulatory capital relief in relation to Leek 18 and Leek 19 in accordance with the terms of the Prudential Sourcebook for Banks, Building Societies and Investment Firms (**BIPRU**). In the event that the consent solicitations launched by Leek 18 and Leek 19 are successful, the Bank will be regarded as providing non contractual support to each of Leek 18 and Leek 19 and regulatory capital relief will no longer be received by the Bank in respect of them or in respect of future securitisations for the foreseeable future. Had this revised capital treatment been applied in respect of Leek 18 and Leek 19 as at 31 December 2010 the Total Capital Ratio of the Bank as set out in the statement issued by the Bank dated today's date would have been 13.6 per cent.

Leek 17 was brought back onto the Bank's balance sheet in May 2010. We refer you to the RNS announcement of the Bank on 17 May 2010 for further details relating to this.

The Bank will host a listen-only conference call at 3 p.m. on 1 April 2011 to answer questions from investors in respect of the consent solicitation process in relation to Leek 17, Leek 18 and Leek 19. Questions must be submitted in advance by 5 p.m. Thursday 31 March via email to leek.info@britannia.co.uk. This call will be recorded and the replay made available for 2 weeks following the call. The dial in code for the call and replay is UK Direct 0207 136 9233, UK Freephone 0800 032 9687, Passcode 782551. The Bank will be available for meetings and calls with investors commencing the week of 11 April 2011.

In addition, in respect of Leek 18 and Leek 19, Danske Bank A/S, London Branch today novated their role as liquidity facility provider to the Bank who will provide the liquidity facility on a fully drawn basis.

DOVEDALE TRANSACTION

The Board of Directors of the Bank have also resolved that the Bank's firm intention is to exercise the option to terminate the CDS note transaction entered into between the Bank and Dovedale Finance Number One P.L.C. (**Dovedale**) on 21st September 2011, the next date on which such action may be taken. The Bank intends to provide notice of their decision to terminate the CDS transaction to Dovedale and the trustee during the relevant notice period in accordance with the documentation which will result in the notes issued by Dovedale being redeemed at par on the interest payment date falling in September 2011.