

IN THE MATTER OF THE CO-OPERATIVE BANK P.L.C.

AND IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE OF A COURT HEARING TO CONSIDER AN APPLICATION TO VARY AN ORDER  
MADE CONVENING A MEETING OF CREDITORS UNDER SECTION 896 OF THE  
COMPANIES ACT 2006

€34,980,000 Floating Rate Callable Step-up Dated Subordinated Notes due 2016 (ISIN: XS0254625998)

£37,775,000 5.875% Subordinated Callable Notes due 2019 (ISIN: XS0189539942)

£275,000,000 9.25% Subordinated Notes due April 2021 (ISIN: XS0620315902)

£8,747,000 Fixed/Floating Rate Subordinated Notes due November 2021 (ISIN: XS0274155984)

£235,402,000 7.875% Subordinated Notes due 2022 (ISIN: XS0864253868)

£200,000,000 5.75% Dated Callable Step-up Subordinated Notes due 2024 (ISIN: XS0188218183)

£150,000,000 5.875% Subordinated Notes due 2033 (ISIN: XS0145065602)

issued by The Co-operative Bank p.l.c. (together, the **Dated Notes**)

Reference is made to the notice dated 18 November 2013 announcing that, by an order of the same date (the **Convening Order**), the High Court of Justice of England and Wales (the **Court**) had directed that a meeting (the **Scheme Meeting**) be convened of Scheme Creditors (as such term is defined in the scheme of arrangement hereinafter referred to) of The Co-operative Bank p.l.c. (the **Company**) for the purposes of considering and, if thought fit, approving (with or without modification, addition or condition approved or imposed by the Court and/or agreed by the Company) a scheme of arrangement proposed to be made between the Company and the Scheme Creditors (the **Existing Scheme**).

**NOTICE IS HEREBY GIVEN THAT**, at 9:30 a.m. on 3 December 2013, the Court shall hear an application (the **Scheme Modification Hearing**) by the Company for directions that the Convening Order be varied for the purposes of: (i) approving certain amendments to the Existing Scheme; (ii) vacating the date of the Scheme Meeting set in the Convening Order of 11 December 2013; (iii) convening a new meeting of Scheme Creditors (the **New Scheme Meeting**) at 10 a.m. on 16 December 2013; and (iv) confirming the procedure for dealing with Account Holder Letters submitted pursuant to the Existing Scheme should the Court approve the proposed amendments to the Existing Scheme. Scheme Creditors are referred to the section entitled "Request to Modify the Scheme" in the regulatory news story (number 1501U) (the **RNS**) published by the regulatory news service of the London Stock Exchange plc on 28 November 2013 for details of the substantive amendments to be considered at the Scheme Modification Hearing. A copy of the RNS is appended to this notice.

Any natural or legal person holding an interest in the Dated Notes is entitled to attend the Scheme Modification Hearing and make representations to the Court, or to instruct counsel to attend the Scheme Modification Hearing and make representations to the Court on their behalf. Regardless of their attendance at the Scheme Modification Hearing, Scheme Creditors will be notified of the outcome of the Scheme Modification Hearing as soon as possible thereafter.

The Scheme Modification Hearing shall take place at The Rolls Building, Fetter Lane, London EC4A 1NL.

Dated 2 December 2013

**The Co-operative Bank p.l.c.**

**APPENDIX 1**

**RNS PUBLISHED 28 NOVEMBER 2013**

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RNS: The Co-operative Group Limited and The Co-operative Bank p.l.c.

28 November 2013

**Modification requested to scheme of arrangement for holders of The Co-operative Bank p.l.c.'s lower tier 2 capital securities and update on recent events**

Further to the publication on 18 November 2013 of the explanatory statement dated 18 November 2013 relating to the scheme of arrangement under Part 26 of the Companies Act 2006 (the "**Scheme**") proposed by The Co-operative Bank p.l.c. (the "**Bank**") pursuant to which the Bank's Liability Management Exercise (the "**LME**") proposals are being made to all the holders of the Dated Notes (as defined below), certain members of an ad hoc group of holders of the Dated Notes holding, in aggregate, approximately 48.3% of the Dated Notes by value (the "**Ad Hoc Group**") have requested that the Bank apply to the court to seek a modification to the Scheme.

**Holders of Dated Notes should be aware that there can be no certainty that the requested modification would be approved by the court if the Bank decides to make an application to court seeking approval for the requested modification.**

Holders of Dated Notes and of the Bank's outstanding 9.25 per cent. Non-Cumulative Irredeemable Preference Shares (ISIN: GB0002224516) (the "**Preference Shares**"), 13 per cent. Perpetual Subordinated Bonds (ISIN: GB00B3VH4201) (the "**13% Bonds**") and outstanding 5.5555 per cent. Perpetual Subordinated Bonds (ISIN: GB00B3VMBW45) (the "**5.5555% Bonds**") should also note that:

- no modification will be made to the Scheme if as a result the settlement date of the LME would fall after 31 December 2013
- the terms of the exchange offers and the proposals made to holders of the Preference Shares, 13% Bonds and 5.5555% Bonds are unaffected by the modification to the Scheme that has been requested, and that the timetable for the exchange offers and the proposals is currently unchanged. If the Bank decides to make an application to court seeking approval for the requested modification to the Scheme and the court requires changes which impact the timetable for the exchange offers and the proposals, an updated timetable will be published promptly
- the Ad Hoc Group will remain locked-up to vote in favour of the Scheme whether or not the requested modification is approved by the court
- the LME continues to require the support of the requisite majorities of the holders of the Preference Shares, 13% Bonds and 5.5555% Bonds, as well as the Dated Notes

The Dated Notes to which this proposed modification is relevant are as follows (together, the "**Dated Notes**"):

Description of the Securities	ISIN	Outstanding Principal Amount
Floating Rate Callable Step-up Dated Subordinated Notes due 2016	XS0254625998	€34,980,000
5.875% Subordinated Callable Notes due 2019	XS0189539942	€37,775,000
9.25% Subordinated Notes due 28 April 2021	XS0620315902	€275,000,000
Fixed/Floating Rate Subordinated Notes due November 2021	XS0274155984	€8,747,000
7.875% Subordinated Notes due 19 December 2022	XS0864253868	€235,402,000
5.75% Dated Callable Step-up Subordinated Notes due 2024	XS0188218183	€200,000,000
5.875% Subordinated Notes due 2033	XS0145065602	€150,000,000

## Current Scheme Terms

Pursuant to the Scheme, the holders of the Dated Notes have been asked to vote on proposals which, if approved by the requisite statutory majorities and sanctioned by the court and if the Scheme becomes unconditional, will result in all of the Dated Notes (plus accrued and unpaid interest on those Dated Notes up to a specified record date) being exchanged for a combination of:

- £100 million of 11 per cent. Subordinated Notes due 2023 to be issued by the Bank ("**Bank T2 Notes**"); and
- 112,500,000 new ordinary shares in the Bank ("**New Ordinary Shares**") representing 45 per cent. of the total issued share capital of the Bank following completion of the LME.

The holders of the Dated Notes will also be entitled to subscribe for 62,500,000 additional new ordinary shares in the Bank (the "**Additional New Ordinary Shares**") at a price of £2.00 per new ordinary share representing 25 per cent. of the total issued share capital of the Bank following completion of the LME, for an aggregate consideration equal to £125 million, pursuant to, and on the terms of, the Scheme with such subscription being underwritten by certain persons who were holders of Dated Notes as at 4 November 2013. The Scheme provides that any holder of Dated Notes is entitled to elect to subscribe for between a minimum election of 50,000 (for an aggregate subscription price of £100,000) and a maximum election of 62,500,000 Additional New Ordinary Shares.

## Request to Modify the Scheme

The Requesting Noteholders have requested the Company to modify the Scheme (the Scheme, as modified by the requested modification, the "**Modified Scheme**") such that all of the Dated Notes (plus accrued and unpaid interest on those Dated Notes up to a specified record date) would be exchanged for a combination of:

- £100 million of Bank T2 Notes; and
- 141,666,666 new ordinary shares in the Bank representing 56.67 per cent. of the total issued share capital of the Bank following completion of the LME.

The holders of the Dated Notes would also be entitled to subscribe for 33,333,334 additional new ordinary shares in the Bank at a price of £3.75 per new ordinary share representing 13.33 per cent. of the total issued share capital of the Bank following completion of the LME, for an aggregate consideration of £125 million<sup>3(iii)</sup>, pursuant to, and on the terms of, the Modified Scheme. This subscription would be fully underwritten by, amongst others, the Ad Hoc Group. The Modified Scheme would provide that any holder of Dated Notes would be entitled to elect to subscribe for between a minimum election of 26,667 (for an aggregate subscription price of £100,001.25) and a maximum election of 33,333,334 additional new ordinary shares. The allocation mechanism for the allocation of additional new ordinary shares described in the explanatory statement dated 18 November 2013 relating to the Scheme would otherwise remain unchanged.

The total number of new ordinary shares in the Bank issued to holders of Dated Notes as a class under the Modified Scheme would be the same as the number to be issued under the Scheme.

The requested modification to the Scheme can only be made with the approval of the court and any application to court by the Bank would be subject to certain pre-conditions which include, among other things, that (i) holders of not less than 48% of the Dated Notes by value enter into new lock-up agreements pursuant to which they will undertake to vote in favour of the Scheme and, if the Modified Scheme is approved by the court, the Modified Scheme and (ii) the underwriting arrangements referred to above have been entered into in connection with the Modified Scheme.

The Ad Hoc Group have committed, in principle, to enter into the necessary documentation to meet these pre-conditions.

The Bank is considering the request by the Ad Hoc Group to make an application to court to seek approval for the requested modification to the Scheme. If the Bank decides to make such an application to court, the Bank would expect a court hearing to seek approval for the requested modification to be held on or around 2 December 2013 and, if the proposed modification were approved by the court, an amended and restated explanatory statement relating to the Modified Scheme and a supplementary prospectus in connection with the Bank T2 Notes and the prospectus published by the Co-operative Group in connection with the LME would be published promptly thereafter. At such court hearing, the Bank would also seek directions from the court confirming the procedure for dealing with account holder letters submitted pursuant to the Scheme.

To the extent the court requires any amendment to be made to the Scheme timetable, an updated timetable would be included in the documents referred to above when published. If the Bank decides to make an application to court seeking approval for the requested modification to the Scheme, **no modification would be made to the Scheme if the effect of any timetable adjustments required by the court would result in the Settlement Date of the LME and the Scheme Settlement Date occurring after 31 December 2013.**

**HOLDERS OF DATED NOTES SHOULD BE AWARE THAT THERE CAN BE NO CERTAINTY THAT THE REQUESTED MODIFICATION WOULD BE APPROVED BY THE COURT IF THE BANK DECIDES TO MAKE AN APPLICATION TO COURT SEEKING APPROVAL FOR THE REQUESTED MODIFICATION**

If the Bank decides to make an application to court seeking approval for the requested modification to the Scheme and the requested modification were approved by the court, the table below shows the Scheme Consideration to which holders of the Dated Notes would be entitled under the terms of the Scheme and the Modified Scheme:

Existing Securities	ISIN	Consideration Amount <sup>1</sup> (per £1,000 of Scheme Claim <sup>4</sup> )				New Ordinary Shares Conversion Price	
		Bank T2 Notes <sup>2</sup>		New Ordinary Shares <sup>3</sup>		Scheme	Modified Scheme
		Scheme	Modified Scheme	Scheme	Modified Scheme		
Floating Rate Callable Step-up Dated Subordinated Notes due 2016	XS0254625998	£102.63	£102.63	£897.37	£897.37	£7.7718276 per share	£6.1717455 per share
5.875% Subordinated Callable Notes due 2019	XS0189539942	£102.63	£102.63	£897.37	£897.37		
9.25% Subordinated Notes due 28 April 2021	XS0620315902	£102.63	£102.63	£897.37	£897.37		
Fixed/Floating Rate Subordinated Notes due November 2021	XS0274155984	£102.63	£102.63	£897.37	£897.37		
7.875% Subordinated Notes due 19 December 2022	XS0864253868	£102.63	£102.63	£897.37	£897.37		
5.75% Dated Callable Step-up Subordinated Notes due 2024	XS0188218183	£102.63	£102.63	£897.37	£897.37		
5.875% Subordinated Notes due 2033	XS0145065602	£102.63	£102.63	£897.37	£897.37		

#### Notes:

- <sup>1</sup> The number of New Ordinary Shares and principal amount of Bank T2 Notes which a holder of Dated Notes will be eligible to receive in respect of its Scheme Claim will be the same irrespective of whether or not the Early Participation Threshold is achieved by the Early Participation Deadline.
- <sup>2</sup> New sterling-denominated 11 per cent. Subordinated Notes due 2023 (ISIN: GB00BFXW0853) to be issued by the Bank.
- <sup>3</sup> New ordinary shares to be issued by the Bank. If the LME is successfully completed, the Group's existing equity stake in the Bank will be converted into deferred shares and effectively reduced to nil and a total of 250,000,000 new ordinary shares will be issued at that time, of which:
  - (i) 75,000,000 (representing 30 per cent. of the total) will be issued to the Group in consideration for its fresh injection of capital into the Bank through the LME and the 2014 Commitment (representing an effective subscription price of £6.16 per share);
  - (ii) 141,666,666 (representing 56.67 per cent. of the total) will be issued to holders of the Dated Notes in the Scheme in exchange for their Dated Notes, to be distributed in the Modified Scheme *pro rata* amongst such holders based on their respective Scheme Claims (representing, based on the total value of Scheme Claims and the number of New Ordinary Shares issued in the Modified Scheme to holders of Dated Notes, an implied subscription price equal to the New Ordinary Shares Conversion Price). The New Ordinary Shares referred to in the table above are these 141,666,666 new ordinary shares; and
  - (iii) 33,333,334 (representing the balance of 13.33 per cent. of the total) will be available for subscription by holders of Dated Notes pursuant to, and on the terms of, the Modified Scheme for an aggregate consideration equal to £125,000,002.50 (representing an effective subscription price of £3.75 per share).
- <sup>4</sup> A Holder's claim in the Modified Scheme (its "**Scheme Claim**") will be equal to the sum of (i) the aggregate principal amount outstanding of such Holder's Dated Notes and (ii) the accrued and unpaid interest on such Dated Notes up to (and including) the Scheme Record Date (10 December 2013 for the Scheme; date to be confirmed for the Modified Scheme, if approved by the court), provided that a Holder's Scheme Claim in respect of Floating Rate Callable Step-up Dated Subordinated Notes due 2016 (ISIN: XS0254625998) (which are denominated in euro) shall be the Sterling-Equivalent of such sum, calculated on the basis of an exchange rate of £0.85644 per €1.00.

#### **Update on recent events**

On 22 November 2013 the Chancellor of the Exchequer ordered an independent investigation into events at the Bank and the circumstances surrounding them to take place under section 77 of the Financial Services Act 2012. Separately, the Financial Conduct Authority and the Prudential Regulation Authority each announced on 22 November 2013 that they are considering whether they should also launch their own formal enforcement investigations. The precise scope and timing of these investigations is yet to be determined.

The regulatory and other investigations that have been recently announced are likely to subject the Bank to greater scrutiny from regulators, will take management time and result in the Bank incurring costs not currently included in its business plan which cannot be quantified at this time. Recent events may have caused some brand and reputational damage, but it is too early to form a definitive view as to the extent of such damage. These recent events, together with the competitive landscape in which the Bank operates, the introduction of seven day account switching and the associated increased competitor marketing activity at a time when the Bank has been constrained in its ability to undertake its own marketing activity, may be a contributing factor to an increase the Bank has seen in the switching out of current accounts. However, the Bank's retail deposit base remains broadly stable and it is too early to identify any significant trends at this point. Further, the Bank's liquidity position remains stable. Overall, the Bank's performance has been consistent with or, in the case of costs, slightly better than, management's expectations.

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