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The Co-operative Bank p.l.c.

14 July 2017

Publication of Practice Statement Letter and Additional Details of the Restructuring

The Co-operative Bank p.l.c. (the "Bank") announced on 28 June 2017 its support for an equity capital raise and recapitalisation proposal (the "Restructuring") from an ad hoc committee consisting of certain existing Tier 2 noteholders and shareholders.

As announced on 28 June 2017, the Restructuring would be implemented by:

- a creditors' scheme of arrangement with holders of the Bank's £206m 11.0% Fixed Rate Notes due December 2023 (the "2023 Notes") which are not Retail Noteholders and all holders of the £250m 8.5% Fixed Rate Notes due July 2025 (the "2025 Notes", and together with the 2023 Notes, the "Notes");
- a members' scheme of arrangement with the shareholders of the Bank;
- a consent solicitation for all holders of the 2023 Notes (the "Consent Solicitation"); and
- certain ancillary agreements, including those in respect of the backstop of a £250m equity raise.

The Bank entered into an agreement (the "Lock-Up Agreement") with certain investors and the parties to that agreement have committed, subject to certain conditions, to take certain steps to implement the Restructuring. As of the date of this announcement, investors which hold 75% of the Notes (57% of the 2023 Notes and 91% of the 2025 Notes) have entered into the Lock-Up Agreement. 59% of holders of the Bank's ordinary shares have agreed to support the Restructuring including 20% indirectly held by Co-operative Group Limited (the "Group"), subject to certain conditions.

Implementation of the Restructuring remains subject to conditions including the approval of the requisite majorities of noteholders and shareholders, the sanction of the court, certain agreements with Group and obtaining regulatory approvals, as outlined on 28 June 2017.

The purpose of this announcement is to announce the launch of the creditors' scheme of arrangement and the members' scheme of arrangement through the publication of the attached letter (the "Practice Statement Letter") issued in accordance with the 2002 Practice Direction of the High Court of Justice of England and Wales. The Practice Statement Letter is available for inspection at <http://www.rns-pdf.londonstockexchange.com/rns/1585L - 2017-7-14.pdf>.

The Practice Statement Letter contains important information including:

- the parties that are affected by the schemes (paragraph 1);
- the offer for Retail Noteholders in the Restructuring and who is expected to be a Retail Noteholder for these purposes (paragraph 2);
- the terms of the Restructuring (paragraph 6);
- the purpose of the Restructuring (paragraph 8); and
- next steps and contact details (paragraph 17).

The deadline for participating in the backstop of the £250m equity raise is 4.00p.m. on 28 July 2017. Noteholders interested in such participation are encouraged to contact PJT Partners at projectcopenhagen@pjtpartners.com.

4.75% of the fully diluted total number of A Shares of Holdco will be allocated to existing shareholders in proportions equal to the proportional holdings of all ordinary shares held by existing shareholders. Existing shareholders who have signed up to the Lock-up Agreement or otherwise undertaken to support the implementation of the Restructuring by 28 July 2017 (the "Early Bird Consenting Members") are eligible for a further 0.25% of the fully diluted total number of A Shares of Holdco to be allocated proportionately to the Early Bird Consenting Members.

A scheme party's entitlements under each of the schemes will be determined as at the date to be specified in the schemes, but which is anticipated to be the same date proposed for the scheme meetings (the "Entitlements Record Date"). A full timetable of key dates for the Restructuring and the formal terms of the Restructuring will be announced following the first court hearing in respect of the schemes, currently scheduled for 27 July 2017. The second and final court hearing for the schemes is currently scheduled to be held on 24 August 2017, after which, if the Restructuring conditions are met, the Bank will proceed to successfully closing the transaction at the beginning of September 2017. The Lock-Up Agreement contains a "long stop date" of 18 September 2017, by which the Restructuring needs to be completed.

The Bank's shareholders and noteholders should read the Practice Statement Letter and check the Bank's website for further developments.

Retail Noteholders

The term Retail Noteholder is explained in paragraph 2 of the Practice Statement Letter. In summary, a Retail Noteholder will be an individual person who meets certain criteria, including holding less than £100,000 in aggregate principal amount of the 2023 Notes both as at (i) 27 June 2017 and (ii) the Entitlements Record Date.

Retail Noteholders are expected to receive a cash payment up to a maximum of £4.50 per £10 principal amount of the 2023 Notes held plus a sum representing interest accrued and unpaid on the relevant amount of 2023 Notes from 20 June 2017 up to, but excluding, 31 July 2017. The aggregate amount of the cash payment, exclusive of interest accrued and unpaid, for Retail Noteholders will be capped at £13.5 million. Accordingly, the amount of cash consideration paid to Retail Noteholders could be considerably less than £4.50 per £10 principal amount of 2023 Notes depending on the number of 2023 Noteholders who are ultimately identified as Retail Noteholders in accordance with the Consent Solicitation.

Holders of the 2023 Notes who consider that they are, or may be, Retail Noteholders must follow the procedure set out in the Consent Solicitation in order to be validly confirmed as such. Such holders are encouraged, as a preliminary step, to identify themselves as soon as possible by submitting relevant information via www.lucid-is.com/co-op. Additional information for Retail Noteholders can also be found on the Bank's website - www.co-operativebank.co.uk/investorrelations/.

Noteholders, including Retail Noteholders, should seek their own financial advice, where appropriate.

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About The Co-operative Bank

The Co-operative Bank p.l.c. provides a full range of banking products and services to almost 4 million retail and small and medium sized enterprises customers. The Bank is committed to values and ethics in line with the principles of the co-operative movement. The Co-operative Bank p.l.c. is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Co-operative Bank p.l.c.'s eligible customers are protected by the Financial Services Compensation Scheme in the UK, in accordance with its terms.

No offer of securities

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