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9 May 2014

### **Update on the Co-operative Bank plc equity capital raising**

Earlier today the Co-operative Bank (the "Bank") announced details of a proposed transaction to raise £400 million of CET1 capital through the issue of 200 million New Ordinary Shares by way of a Placing and Open Offer (together with the Bonus Issue, the "Capital Raising").

The Bank also announced that the Committed Shareholders had irrevocably committed to exercise their respective entitlements to subscribe for an aggregate of 31% of New Ordinary Shares (being 62,241,222).

The accelerated book build process has now been completed and the Bank has secured commitments from Shareholders amounting to £400 million.

Acting on behalf of the Bank, UBS Investment Bank has conditionally placed 77.8 million New Ordinary Shares with institutional investors including some existing Shareholders (the "Placees") at the Issue Price of £2.00 per New Ordinary Share. New Ordinary Shares conditionally placed with Placees will be subject to clawback in full by Qualifying Shareholders of the Bank (other than the Co-operative Group, the Committed Shareholders and the Group Placees), who are being offered the opportunity to subscribe at the issue price of £2.00 for up to a maximum of their pro rata entitlement on the basis of:

#### **0.8 New Ordinary Shares for each Existing Ordinary Share**

Under the Bonus Issue, Smaller Shareholders may receive 0.224 Bonus Shares for each Existing Ordinary Share.

The Co-operative Group has placed with institutional investors (including Shareholders) 24,447,609 Existing Ordinary Shares, on a cum entitlement basis, at £3.40 per Existing Ordinary Share conditional upon the Capital Raising becoming unconditional (the "Group Placing"). The proceeds of this placing will be used by the Co-operative Group to subscribe for 40,441,912 New Ordinary Shares. Participants in the Group Placing have irrevocably committed to take up their Open Offer Entitlements in respect of 19,558,087 Existing Ordinary Shares to be acquired pursuant to the Group Placing. Assuming no dilution as a result of the Bonus Issue, following completion of the Group Placing, the Co-operative Group would hold 20.22 per cent. of the enlarged issued ordinary share capital (which would be reduced to 20.03 per cent. if the maximum number of Bonus Shares were issued).

**Chief Executive Niall Booker said:** "The completion of the book build gives us great confidence that the £400 million capital raising will be successfully completed. The offer is now subject to clawback and shareholder approval at a general meeting which will be held in due course.

"This capital will strengthen the Bank for our customers and enable us to continue with our business plan, which aims to return the Bank to its roots as a bank focused on our retail and SME customers with values and ethics at the heart of what we do.

"The speed at which this has been achieved is a great endorsement of the new management team and the work they are doing to turn the business around.

“We have a strong relationship with all our major Shareholders and we thank them for their ongoing support. Values and ethics remain at the heart of the Bank’s business, as evidenced by the fact they are embedded in the Bank’s articles of association, and this is supported by our Shareholders who recognise the importance of this to the future of the Bank and its customers.”

Defined terms used in this announcement shall have the same meaning as those set out in the RNS announcing the launch of the Capital Raising on 9 May 2014.

### **Timetable**

The expected timetable for the Capital Raising is as set out below. Each of the times and dates below is indicative only and may be subject to change.

	<b>2014</b>
Record Date for entitlement to participate in the Open Offer	<b>6.00 p.m. on 8 May</b>
Announcement of the Placing and Open Offer	<b>9 May</b>
Posting of the Circular, the Form of Proxy and the Bonus Issue Form to Qualifying Shareholders, and posting of Application Forms to Qualifying Non-CREST Shareholders	<b>10 May</b>
Ex-entitlement date for the Open Offer	<b>12 May</b>
Open Offer application period commences	<b>12 May</b>
Open Offer Entitlements credited to CREST stock accounts (Qualifying CREST Shareholders only)	<b>8.00 a.m. on 12 May</b>
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST (i.e. if your Open Offer Entitlements are in CREST and you wish to convert them to certificated form)	<b>4.30 p.m. on 21 May</b>
Latest time and date for receipt of Forms of Proxy/CREST proxy instructions	<b>9.00 a.m. on 22 May</b>
Latest time and date for depositing Open Offer Entitlements into CREST (i.e. if your Open Offer Entitlements are not in CREST and you wish to convert them to uncertificated form)	<b>3.00 p.m. on 22 May</b>
Latest time and date for splitting Application Forms	<b>3.00 p.m. on 23 May</b>
General Meeting	<b>9.00 a.m. on 27 May</b>
Latest time and date for receipt of completed Application Forms and payment in full or settlement of relevant CREST instructions, as appropriate, under the Open Offer and of completed Bonus Issue Forms under the Bonus Issue	<b>11.00 a.m. on 28 May</b>
Announcement of results of Open Offer	<b>28 May</b>
Issue of New Ordinary Shares and Bonus Shares	<b>30 May</b>
Crediting of New Ordinary Shares and Bonus Shares to CREST accounts (uncertificated Shareholders only)	<b>30 May</b>
Dispatch of definitive share certificates for the New Ordinary Shares and Bonus Shares in certificated form	<b>By 6 June</b>

All references to times of day are to London time. The dates and times specified above are subject to extension or variation by the Bank in accordance with the terms of the Open Offer and the Bonus Issue.

The ability to participate in the Open Offer and/or the Bonus Issue is subject to certain restrictions relating to (i) Shareholders with registered addresses or who are located or resident in countries outside the UK (details of this will be set out in the Circular), and (ii) Shareholders whose Open Offer Entitlements would require them to pay a subscription amount of less than £100,000 (details of this will be set out in the Circular).

## **Enquiries**

### Media

Lansons:            Tony Langham – 07979 692287  
                         David Masters – 07825 427514

The Co-operative Bank:    Alice Hunt – 07834 620704

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Investor enquiries:

The Co-operative Bank Investor Relations

Shareholders: Adam Key – 07730 193815

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This announcement and any related materials may contain or incorporate by reference certain "forward-looking statements" regarding the belief or current expectations of the Bank about the Bank's financial condition, results of operations and business described in this announcement. Generally, but not always, words such as "aim", "target", "will", "would", "expect", "propose", "intend", "plan" or their negative variations or similar expressions identify forward-looking statements. Examples of forward-looking statements include, among others, statements regarding the Bank's future financial position, income growth, assets impairment charges and provisions, business strategy, capital, leverage and other regulatory ratios, payment or dividends, projected levels of growth in the banking and financial markets, projected costs, original and revised commitments and targets in connection with the turn-around plan, deleveraging actions, estimates of capital expenditures and plans and objectives for future operations and other statements that are not historical fact. Such forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, achievements or developments of the Bank or the industry in which it operates to differ materially from any future results, performance, achievements or developments expressed or implied from the forward-looking statements. The ability of the Bank to implement its strategic plan and to achieve the results set out in the plan entails particular challenges including (but are not limited to): ability to achieve the targeted cost savings; ability to retain customers and deposits; the timing and quantum of impacts to capital from its asset reduction exercise; meeting its planned improvements in net interest margin; a possible further deterioration in the quality of the Bank's asset portfolio; unplanned costs from (for example) conduct risk matters; ability to maintain the Bank's access at an appropriate cost to liquidity and funding and the ability of the Bank to raise further capital assumed in its forecasts. Many of the risks and uncertainties also relate to factors that are beyond the Bank's ability to control or estimate precisely which include (without limitation) factors such as: UK domestic and global economic and business conditions; the Bank's ability to implement successfully its four to five year business plan to improve its financial, operational performance and capital position; market related risks, including but not limited to, changes in interest rates and exchange rates; changes to law, regulation, accounting standards or taxation, including changes to regulatory capital or liquidity requirements and the Bank's ability to meet those requirements; the ability to access sufficient funding to meet the Bank's liquidity needs including through retail deposits; instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or sovereign financial issues; changes to the Bank's credit rating; the effect of competition and the actions of competitors; the impact of potential disruption to the Bank's IT and communications systems; the ability to attract and retain skilled personnel; uncertainties regarding the extent of the Bank's exposure to pensions related liabilities; exposure to increased and ongoing regulatory scrutiny, legal proceedings, regulatory investigations or complaints, including with respect to conduct issues and other factors.

A number of material factors could cause actual results to differ materially from those contemplated by the forward-looking statements. The forward-looking statements contained in this announcement speak only as of the date of this announcement. Except as required by law, the Bank undertakes no obligation to revise the forward-looking statements to reflect any change in the Bank's expectations with regard thereto or any subsequent events or circumstances. Recipients of this announcement should not place any reliance on the forward-looking statements and are advised to make their own independent analysis and determination with respect to the forecast periods.

Neither the Bank nor any of its respective affiliates or representatives undertakes any obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Recipients of this announcement should not place any reliance on the forward looking statements and are advised to make their own independent analysis and determination with respect to the forecast periods.

UBS Limited has been appointed by the Bank as financial adviser and placing agent for the purposes of the Placing and Open Offer. UBS Limited is authorised and regulated by the PRA and the FCA and is acting exclusively for the Bank in connection with the Capital Raising and will not regard any other person (whether or not a recipient of this announcement or a holder of the Bank's securities) as a client in relation to the capital raising and will not be responsible to anyone other than the Bank for providing the protections afforded to its clients or for providing advice in relation to the Capital Raising or any other matter referred to in this announcement.

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