PROPOSED TRANSFER OF THE BUSINESS OF THE CO-OPERATIVE BANK PLC TO COVENTRY BUILDING SOCIETY PURSUANT TO PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

EXPLANATORY STATEMENT

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BACKGROUND

On 1 January 2025, Coventry Building Society ("**CBS**") completed its acquisition of the entire issued share capital of The Co-operative Bank Holdings PLC ("**Holdings**"), the indirect parent of The Co-operative Bank PLC ("**Bank**") (the "**Acquisition**").

Following the Acquisition, CBS commenced an initial two-year integration phase between CBS and Bank in order to consolidate head office functions, stabilise Bank's growth and performance, and review the longer-term strategy for each line of business within the combined group.

Bank now proposes to transfer the entirety of its current business (with a small number of exclusions) (the "**Transferring Business**") to CBS, including current accounts, savings accounts, loans and credit cards, marking the next phase of integration for CBS and Bank.

The business transfer will be effected by means of a banking business transfer scheme (the "**Scheme**") under Part VII of the Financial Services and Markets Act 2000.

This Explanatory Statement provides details of the terms of the Scheme, as required by regulation 5(4) of the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001. The information in this document is only a summary of the Scheme and should not be relied on in place of reading the full version of the Scheme document (the "**Scheme Document**"). Further information in relation to the transfer, including the Scheme Document, is available on our website at https://www.co-operativebank.co.uk/coventry-transfer/. In this Explanatory Statement, capitalised terms shall have the meanings given to them in paragraph 1.1 of the Scheme Document.

You can request free copies of any of the relevant documents, including the Scheme Document, or ask any further questions you may have, by completing the online form https://www.co-operativebank.co.uk/coventry-transfer/, calling us on 0800 0284321 or writing to us at 1 Balloon Street, Manchester, M4 4BE.

Bank and CBS are each authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the Financial Conduct Authority ("**FCA**") and the PRA.

THE SCHEME

This section sets out the principal terms of the Scheme. The purpose of the Scheme is to effect the transfer of the entirety of Bank's current business (with a small number of exclusions) to CBS, including current accounts, savings accounts, loans and credit cards.

To become effective, the Scheme requires the sanction of the Court. The final court hearing ("**Final Hearing**") is scheduled for 2 December 2026. If the date of the Final Hearing changes, notice of the change will be given. At the Final Hearing the Court will consider and, if thought fit, sanction the Scheme.

The PRA and the FCA are entitled to appear at the Final Hearing and be heard by the Court. Both CBS and Bank have been liaising closely with the PRA and FCA as part of the Scheme process.

Any person (including any customer or employee of Bank or CBS) who thinks that they may be adversely affected by the carrying out of the Scheme may attend the Court hearing and express their views either in person or by a representative.

Any person planning to attend the Final Hearing is requested to notify Bank (along with their reasons for objecting) before 25 November 2026, using the contact details set out at the end of this Explanatory Statement. Any person who does not intend to attend the Final Hearing but wishes to make representations about the Scheme or considers that they may be adversely affected should communicate their views to Bank using the contact details set out at the end of this Explanatory Statement.

A record of the number of respondents will be maintained and, together with copies of any representations, provided to the Court at the date of the hearing. A summary of any representations received will also be provided to the PRA and the FCA.

A failure to give notice to us in advance does not prevent any person who wishes to do so from attending the Final Hearing in person or by a representative, or from making representations in writing to be put before the Court. Any representative does not need legal training. The costs of any representative will be borne by the person appointing them. Please note that if objections are to be made by a representative, they will need the permission of the Court to speak or have appropriate rights of audience before the Court.

Transfer of the Transferring Business

Subject to the approval of the Court, the whole business of Bank will transfer to CBS (with the exception of a small number of contracts and arrangements, including employment-related contracts, its obligations to registered pension arrangements and assets and liabilities (including contracts) governed by non-UK law, which constitute Excluded Business (as defined in the Scheme Document)).

If the Scheme is approved by the Court, any contracts between Bank and a third party (including a Customer) relating to the Transferring Business will transfer so that they will become contracts between CBS and the third party. The Scheme will make certain consequential amendments to such contracts where changes are necessary as a result of the effects of the Scheme.

If the Scheme is approved by the Court, CBS will acquire all of the rights, benefits and powers of Bank in relation to the Transferring Business. Bank's customers, including Deposit Customers, Loan Customers, Mortgage Customers and Credit Card Customers, will have the same rights against, and obligations to, CBS in respect of their banking arrangements as they currently have against, and to, Bank.

If the Scheme is approved by the Court, CBS will acquire Bank's membership interest in Moorland Covered Bonds LLP and Bank's shareholdings in BPS Principal Employer Limited and Moorland Covered Bonds Finance Limited.

Subject to the approval of the Court, the Scheme is expected to become effective at 00:00:01 (GMT) on 1 January 2027 (the "**Effective Date**"). Unless the transfer occurs before 23:59:59 (BST) on 30 April 2027 or such other date as CBS and Bank agree (or a later date, if allowed by the Court), the Scheme will lapse.

Membership of CBS

CBS is a building society with two types of member, namely Shareholding Members and Borrowing Members. The Scheme contains a mechanism so that, if the Scheme is approved by the Court:

(a) each of Bank's Eligible Deposit Customers holding an Eligible Deposit Account will become a Shareholding Member of CBS and will have the same rights and obligations as a new Shareholding Member of CBS (to the extent that such Eligible Deposit Customers otherwise satisfy the requirements for shareholding membership set out in the rules of CBS); and

(b) each of Bank's Eligible Mortgage Customers with an Eligible Mortgage Account will become a Borrowing Member of CBS and will have the same rights and obligations as a new Borrowing Member of CBS (to the extent that such Eligible Mortgage Customers otherwise satisfy the requirements for borrowing membership set out in the rules of CBS).

Residual Assets and Residual Liabilities

The Scheme also contains provisions dealing with certain assets and liabilities which, for whatever reason, cannot be transferred on the Effective Date. These are referred to as Residual Assets and Residual Liabilities in the Scheme Document. Under the Scheme, any Residual Assets and Residual Liabilities will be transferred once it is possible to do so. The Scheme also contains provisions which allow Sanctioned Assets and Sanctioned Liabilities to transfer after the Effective Date if the relevant prohibition on transfer ceases to apply or if an OFSI Licence is granted.

FSCS Limit

Customers of CBS and Bank are covered by the UK Financial Services Compensation Scheme (FSCS). If a financial institution is unable to meet its financial obligations, the FSCS pays out compensation, up to the current limit of £120,000 ("**FSCS Limit**"), to Customers with eligible deposits in a particular financial institution. If the Scheme is approved by the Court, Customers who hold eligible deposits across both CBS and Bank which, when combined, are in excess of the FSCS Limit may lose some protection as a result of the consolidation of their eligible deposits. This is because, rather than deposits being held in separate financial institutions (namely, CBS and Bank), they will all be held in CBS.

The Scheme contains provisions which mitigate this potential harm by allowing, for a period from 3 December 2026 until 2 March 2027 (or the equivalent date for Residual Liabilities or Sanctioned Liabilities), impacted Customers to make withdrawals from their eligible deposits free of penalty, fee, notice or charge (including loss of accrued interest and other benefits).

During this period, a Customer will be allowed to make withdrawals free of penalty, fee, notice or charge from deposits held with CBS or Bank in order to reduce their aggregate balance with CBS and Bank, which exists immediately before the Relevant Date (or, if a withdrawal is made between the FSCS Commencement Date and the Relevant Date, on the date of the first withdrawal), down to the FSCS Limit.

Mitigating prejudice to Customers

If the Scheme is approved by the Court, the transfer of the Transferring Business may result in CBS having certain rights in respect of the Transferring Business that Bank did not have prior to the Relevant Date. Where the exercise of such rights might prejudice counterparties (including a Customer), CBS has given certain undertakings not to exercise those rights, in order to mitigate any potential prejudice. These undertakings, which are contained in Part E of the Scheme Document, are in respect of set-off rights; all monies rights; consolidation rights; cross-default rights and other rights; entire agreement clauses; and guarantees and indemnities.

Continuity of Proceedings

If the Scheme is approved by the Court, any pending, current or future Proceedings (including administrative or regulatory processes, arbitrations and complaints to ombudsmen), in connection with the Transferring Business and to which Bank is a party, will be continued or commenced by, against or with CBS. Any judgment, settlement, order or award obtained by or against Bank in respect of the Transferring Business, which is not fully satisfied before the transfer occurs, will become enforceable by or against CBS.

Data Protection and Marketing

If the Scheme is approved by the Court, CBS will succeed to all rights, liabilities and obligations of Bank in respect of personal data relating to the Transferring Business and will become the data controller of such information. CBS will also be under the same duty as Bank to respect the confidentiality and privacy of that information.

If the Scheme is approved by the Court, CBS will handle and respond to any request made to Bank by an individual to exercise their rights under applicable data protection law if Bank has not responded to such request before the Relevant Date.

If the Scheme is approved by the Court, any marketing consents held by Bank will be transferred to CBS and Bank will no longer be able to rely on them. The validity of marketing consents held by CBS immediately after the point of transfer, including those it held before the transfer, will not be affected by the transfer even if Bank held a different set of permissions in respect of the same person. The transfer will not extend, broaden, or otherwise change the scope of any marketing consents held by Bank at the point of transfer.

OTHER MATTERS

Subject to the approval of the Court, the Scheme is expected to become effective at 00:00:01 (GMT) on 1 January 2027. Unless the transfer occurs before 23:59:59 (BST) on 30 April 2027 or such other date as CBS and Bank agree (or a later date, if allowed by the Court), the Scheme will lapse.

If the Court approves or imposes any modification of or addition to the Scheme (or any further condition or provision affecting the Scheme) prior to its sanction of the Scheme, Bank and CBS may jointly consent to it for and on behalf of themselves and all other persons concerned (other than the PRA or the FCA).

After the sanction of the Scheme, Bank and CBS may apply to the Court for consent to amend the terms of the Scheme. If Bank and CBS make such an application, the PRA and FCA shall be notified of and have the right to be heard at the Court hearing. Minor and/or technical amendments or correction of manifest errors will not require the sanction of the Court; however, the PRA and FCA must be given notice of them and confirm they do not object (or not indicate any objections within 30 days of acknowledging the notification).