

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

6 September 2017

### **Calico Regulatory Call Option**

The Co-operative Bank p.l.c. (the "Bank") announced on 26 June 2017 a potential regulatory call of notes issued by Calico Finance Number One DAC (formerly known as Calico Finance Number One Limited ("Calico")). The notes issued by Calico are referred to herein as the "Calico Notes".

On 28 July 2017, the Bank announced that it intended to exercise the regulatory call option under the Credit Default Swap Agreement ("Credit Default Swap Agreement") entered into between the Bank and Calico in relation to the Calico Notes. Pursuant to the Credit Default Swap Agreement and the credit default swap thereunder Calico sold credit protection and the Bank purchased credit protection relating to a pool of mortgage loans (the "Credit Default Swap").

The Bank announces that it has determined in accordance with paragraph 10 (Buyer Regulatory Call Option) of the confirmation evidencing the Credit Default Swap (the "CDS Confirmation"), that a Regulatory Event (as defined in the CDS Confirmation) has occurred.

The Bank's right to make such determination has arisen on the basis, inter alia, of post-Closing Date guidance from the European Banking Association (the "EBA") in relation to the timeliness of protection payments made to a protection buyer by a protection seller. The terms of the Credit Default Swap do not comply with such guidance, which includes EBA Q&A responses (dating from 2014 and 2016) relating to indeterminate periods for payment under risk mitigation arrangements.

Having given a preliminary indication in June that significant risk transfer ("SRT") may not be maintained in relation to the Credit Default Swap, the Prudential Regulation Authority (the "PRA") has, on 20 July 2017, confirmed in writing that the terms of the Credit Default Swap do not achieve SRT. Such determination has a demonstrable adverse effect on the regulatory capital of the Bank.

In addition, the PRA (being the relevant supervisory authority) has been informed of the Bank's intention to exercise the regulatory call option contained in the CDS Confirmation and the PRA has confirmed to the Bank in writing on 20 July 2017 that it has no objection to the CDS Counterparty terminating the Credit Default Swap pursuant to the occurrence of such Regulatory Event.

The Bank confirms that it has today exercised the regulatory call option included in the Credit Default Swap. The Credit Default Swap will, therefore, be terminated on 21 September 2017. As a consequence of the exercise of such option the Calico Notes will be redeemed in full on 21 September 2017, in accordance with the terms and conditions of the Calico Notes.

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

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.