

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

The Co-operative Bank p.l.c.

12 December 2022

Update on the status of the Bank's pension obligations

Background

The Co-operative Bank p.l.c. ("Bank") has set a strategy to simplify and transform its balance sheet and reduce risk and uncertainty. Aligned to this strategy, the Bank has been in discussions with the trustee ("Trustee") of the segregated section of the Co-operative Pension Scheme ("Pace") sponsored by the Bank ("Bank Section"), which has responsibility for overseeing the Bank Section, about opportunities to reduce the risks that the Bank Section, and by extension the Bank, is exposed to.

Pension scheme de-risking

Pace is considering a full "buy-in" transaction of the Bank Section, through which Pace would purchase a bulk annuity insurance policy, covering all liabilities required to meet future defined benefit pensions for the Bank Section and delivering greater security to its members. It is currently expected that the insurance policy could be purchased using existing assets held within the Bank Section, without the need for the Bank to make any additional contributions.

The Bank views the potential "buy-in" as a positive development and is supportive of the Trustee's approach, which aligns to the Bank's own strategic objectives through elimination of the primary investment and longevity risks that the Bank Section is exposed to.

Financial impact of the "buy-in" transaction

Successful completion of the "buy-in" would be expected to avoid crystallisation of £52.5m of pre-existing contractual commitments of the Bank to provide additional funding to Pace. The Bank's current guidance anticipates such funding commitments being fulfilled during 2024, and, if the "buy-in" is completed on the terms currently envisaged, the Bank would no longer expect this funding would be required.

Anticipated timing

It is currently understood by the Bank that the Trustee intends to complete the purchase of a bulk annuity policy during Q4 2022. There is no guarantee or certainty that the "buy-in" transaction or bulk annuity purchase will proceed or complete on the terms envisaged or at all.

Co-operative Bank CEO Nick Slape commented,

"The Bank is supportive of the strong stewardship and de-risking actions planned by the Trustee, which we expect would deliver a positive outcome for members, through offering enhanced protection of benefits. It would also reduce the Bank's exposure to the primary risks arising from the Bank Section of Pace, delivering value to our shareholders, further simplifying our business and preparing the Bank for the next phase of our strategy. I am delighted that all parties have worked co-operatively to reach this point."

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UK MAR: This announcement contains information which qualified or may have qualified as inside information for the purposes of Article 7 of EU Regulation 596/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The person responsible for arranging the release of this announcement on behalf of the Bank and The Co-operative Bank Finance p.l.c. is Catherine Green, Company Secretary.

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