



JOINT STATEMENT REGARDING POTENTIAL ACQUISITION

COVENTRY BUILDING SOCIETY

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Subject to contract and ongoing discussions

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.

FOR IMMEDIATE RELEASE

Coventry Building Society and The Co-operative Bank Holdings Limited

18 April 2024

JOINT STATEMENT REGARDING POTENTIAL CASH ACQUISITION

of

THE CO-OPERATIVE BANK HOLDINGS LIMITED

by

COVENTRY BUILDING SOCIETY

The Boards of Coventry Building Society ("CBS" or the "Society") and The Co-operative Bank Holdings Limited (and The Co-operative Bank p.l.c. together the "Bank") are pleased to announce that non-binding heads of terms have been agreed for a potential acquisition of the Bank by the Society for a total cash consideration of £780 million (the "Potential Transaction").

Discussions relating to the Potential Transaction are well advanced, the Society has completed substantive due diligence to its satisfaction and the parties are working together to enter into definitive agreements in due course.

There can be no certainty at this stage that an acquisition of the Bank will occur and the Potential Transaction remains subject to the agreement of terms in a manner satisfactory to the parties. The Potential Transaction would also be subject to regulatory approval.

Strategic rationale

A combination between the Society and the Bank is expected to both deepen the enlarged group's existing presence in mortgages and savings and extend the Society's propositions. The CBS Board believes the Potential Transaction would be in the best interests of current and future members. It would:

- Create a combined group with a pro forma balance sheet of £89 billion as at 31 December 2023;
- Allow the Society to leverage its financial scale and a diversified funding base to:
 - Continue to offer strong member value; and
 - Enhance investment to continue to deliver outstanding service across branches, online, telephone and mobile services;
- Provide CBS with an established position in the personal current account market extending the Society's product proposition to meet more of members' daily needs;
- Broaden the Society's channels and distribution capabilities including an enlarged, national branch footprint; and
- Introduce a business savings and current account proposition into the Society's offering.

The Society would seek to integrate the Bank gradually over several years, prioritising good customer outcomes following the completion of detailed planning and engagement with relevant stakeholders.

The combined group's customers would benefit from the enlarged range of products and propositions on offer. It is CBS's current intention that eligible Bank customers would become Society members over a period of time post completion.

The CBS Board has considered carefully whether a member vote is required. Having had regard to the requirements of the Building Societies Act 1986, and having taken professional advice, the Board has determined that, if the Potential Transaction were to proceed, a member vote is not required. In coming to this decision, the Board has been informed by member surveys and focus groups which clearly signalled their priorities as maintaining our value proposition and service quality.

In addition, the Society has consulted with a number of other stakeholders in recent weeks including regulators and certain ratings agencies to inform its evaluation of a Potential Transaction.

Other matters

The cash consideration necessary to satisfy the Potential Transaction in full would be funded from the Society's existing cash resources at completion. The £780 million cash consideration excludes capital in excess of certain thresholds at completion. In addition, of the total cash consideration, up to £125 million will be deferred for a period of 3 years subject to the future performance of the Bank.

Chief Executive Officer of Coventry Building Society, Steve Hughes commented:

"This is an exciting moment for the Society. We have a very successful history, and we believe this could be the basis of a very successful future - with membership, great value and great service at its heart."

"The Co-operative Bank is a financially stable, profitable organisation with a shared heritage and products and services that complement our own.

"Its customers, colleagues, branches, mortgages and savings balances, and the additional products and services it provides, will make us stronger and enable us to continue offering the value and service that matters to members and customers alike. We're confident that we have the people, capability and the financial strength to bring both organisations together successfully over a number of years."

A further announcement will be made as appropriate.

This announcement contains inside information in relation to the Society and the Bank.

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Coventry Building Society

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

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