

5 November 2013

To whom it may concern,

Local Authorities banking with The Co-operative Bank

The Co-operative Group and the Co-operative Bank announced a comprehensive plan in June to strengthen the capital position of the Bank and enable it to move forward on a stable footing.

We have also made clear that that we plan to simplify and rebuild the Bank focusing on serving the needs of individuals and small and medium sized business customers. This means that we will be seeking to exit some banking relationships which do not meet our future risk appetite or which have comprehensive and complex banking requirements.

As part of this strategy, we have decided to withdraw from our involvement in providing banking transmission services to Local Authorities. This decision has not been taken lightly, and we are proud of our support for the local government sector over many years. However, this decision is necessary as we seek to put the foundations in place to support the longer-term stability of the Bank, focused around our heritage and strength as a core relationship Bank, which we believe can offer a compelling alternative to customers.

What this means for you?

We will now look to exit this part of our corporate offering over time in a controlled and ethical manner. In the short term you will still have access to your banking services, however, when your existing banking contract expires, we will not be seeking to renew our relationship, but will work with you to ensure a smooth transfer of your banking operations to a new supplier.

We understand that you may wish to bring forward your timescales for seeking formal banking tenders and if this is something you wish to progress, we will provide every assistance possible to you during any transitional period.

Next steps

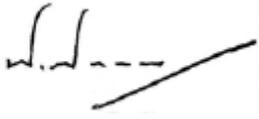
In the meantime, we will continue to support your Authority.

We recognise that you may have questions about this announcement. If this is the case you can speak directly to your Relationship Manager or alternatively contact me at david.dunn@cfs.coop.

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Finally, I would also like to take this opportunity to thank you for your relationship with The Co-operative Bank.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Dunn', followed by a long horizontal line extending to the right.

David Dunn
Head of Public Sector