

DATED 14 July 2017

BETWEEN

THE CO-OPERATIVE BANK P.L.C.

and

BALLOON STREET HOLDINGS LIMITED

and

LUCID ISSUER SERVICES LIMITED

and

THE INITIAL BACKSTOP PROVIDERS (as defined herein)

BACKSTOP AGREEMENT

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This Agreement (the "**Agreement**") has been entered into on 14 July 2017 among:

- (1) **THE CO-OPERATIVE BANK P.L.C.**, a public limited company incorporated in England and Wales with registered number 00990937 whose registered office is at PO box 101, 1 Balloon Street, Manchester, M60 4EP (the "**Bank**");
- (2) **BALLOON STREET HOLDINGS LIMITED**, a private limited company incorporated in England and Wales with registered number 10865342 whose registered office is at c/o Paul Hastings (Europe) LLP, Ten Bishops Square, Eighth Floor, London, E1 6EG ("**Holdco**");
- (3) **LUCID ISSUER SERVICES LIMITED**, a private limited company incorporated in England and Wales with registered number 05098454 whose registered office is at Tankerton Works, 12 Argyle Walk, London, WC1H 8HA (the "**Information Agent**"); and
- (4) **THE INITIAL BACKSTOP PROVIDERS** (the several persons whose names are set out in Schedule 1 hereto).

RECITALS

- (A) The Bank and certain funds and institutions represented by the Initial Backstop Providers agreed to consummate a restructuring and recapitalisation of the Bank pursuant to a lock-up and support agreement (the "**Lock-Up Agreement**") entered into on 28 June 2017 (the "**Restructuring**").
- (B) Holdco was incorporated on 13 July 2017 for the purposes of effecting the Restructuring.
- (C) This Agreement outlines the terms by which the Backstop Providers have severally, and not jointly or jointly and severally, conditional upon the Restructuring being consummated, agreed with Holdco to provide a backstop commitment in connection with the issue of A Shares by Holdco in accordance with the Restructuring.
- (D) In consideration of their agreement to act as Backstop Providers, Holdco has agreed to compensate the Backstop Providers in connection with their Backstop Commitment by means of a Premium.

1. DEFINITIONS

1.1 In this Agreement, the following words and expressions shall have the following meanings:

"2023 Notes" the £206,000,000 subordinated unsecured 11% per annum notes due 2023 constituted by and issued pursuant to a trust deed dated 20 December 2013 by and between the Bank and Law Debenture Trustees Limited as trustee (as amended, supplemented or otherwise modified from time to time);

"2025 Notes" the £250,000,000 subordinated unsecured 8.5% per annum notes due 2025 constituted by and issued pursuant to a trust deed dated 1 July 2015 by and between the Bank and Law Debenture Trustees Limited as trustee (as amended, supplemented or otherwise modified from time to time);

"A Shares"	the ordinary class A shares of £0.0001 each in the capital of Holdco, with rights attaching to those shares as shall be set out in the articles of association of Holdco to be adopted on or prior to the Settlement Date;
"Acceding Backstop Provider"	a Qualifying Subscriber who accedes to this Agreement on or prior to the Backstop Cut-Off Date in accordance with clause 14.2;
"Account Holder"	an account holder with a Clearing System;
"Account Holder Letter"	a letter in the form set out in the explanatory statement in relation to the Creditors' Scheme delivered to the Information Agent by a Backstop Provider who holds Notes comprised in its Note Amount through a Clearing System;
"Backstop Amount"	in respect of a Backstop Provider, the amount in pounds sterling payable by such Backstop Provider in respect of its Backstop Commitment, being such Backstop Provider's Backstop Fraction of the Shortfall;
"Backstop Commitment"	in respect of a Backstop Provider, the amount in pounds sterling which is £250,000,000 multiplied by the Backstop Fraction of such Backstop Provider;
"Backstop Commitment Notice"	written notice from the Information Agent confirming the Backstop Commitment of a Backstop Provider delivered to a Backstop Provider in accordance with clause 4;
"Backstop Cut-Off Date"	the date which falls 10 Business Days after the date of publication of the practice statement letter relating to the Schemes;
"Backstop Fraction"	in respect of a Backstop Provider, the fraction given by A/B where A is such Backstop Provider's Note Amount and B is the aggregate of all of the Note Amounts of all of the Backstop Providers;
"Backstop Funding Notice Date"	the date which falls one Business Day after the Subscription Deadline;
"Backstop Provider"	an Initial Backstop Provider and any Acceding Backstop Provider, and " Backstop Providers " means any or all of them as the context requires;
"Blocked Notes"	has the meaning given in sub-clause 7.1(a)(i);
"Business Day"	a day on which banks in the City of London are generally open for business;
"Clearing System"	each of Clearstream Banking, société anonyme and Euroclear Bank SA/NV, and " Clearing Systems " shall

	mean both of them, as the context requires;
"Closing Conditions"	the conditions specified as Closing Conditions set out in Part A of Schedule 2 hereto and "Closing Condition" shall mean any one of them, as the context requires;
"Corporate Actions Date"	has the meaning given in clause 6(b);
"Companies Act"	the Companies Act 2006;
"Creditors' Scheme"	the creditors' scheme of arrangement of the Bank and certain of its creditors under Part 26 of the Companies Act pursuant to which the Restructuring will, in part, be effected;
"Defaulting Backstop Provider"	has the meaning given in clause 8.2;
"Defaulting Backstop Provider's Unpaid Amount"	the Backstop Amount of a Defaulting Backstop Provider;
"Eligible Investor"	(i) an Accredited Investor as defined in Regulation D of the U.S. Securities Act of 1933 (ii) a qualified institutional buyer inside the United States, as such term is defined in Rule 144A of the U.S. Securities Act of 1933; or (iii) a qualified investor (as defined in Directive 2003/71/EC (and any amendments thereto, including Directive 2010/73/EU) who is not a U.S. Person (as such term is defined under Regulation S of the U.S. Securities Act of 1933, outside the United States;
"Escrow Account"	the escrow bank account held by the Information Agent with details as set out in Schedule 4;
"Escrow Backstop Provider"	has the meaning given in clause 13.1;
"Escrow Monies"	has the meaning given in clause 13.1;
"Funding Notice"	a notice delivered by the Information Agent requiring payment to be made for A Shares, including any Share Fractions, by a Backstop Provider;
"Governmental Authority"	has the meaning given in sub-clause 15.6(b);
"Holdco Acquisition"	the transfer to Holdco of the issued ordinary share capital of the Bank pursuant to the Members' Scheme;
"Initial Backstop Percentage"	in respect of an Initial Backstop Provider, the percentage set out next to its name in Schedule 1 hereto;
"Initial Backstop Providers"	the several persons whose names and Initial Backstop Percentages are set out in Schedule 1 hereto;

"Initial Note Amount"	in respect of an Initial Backstop Provider, the principal amount of Notes in pounds sterling held by it as at 28 June 2017;
"Launch Conditions Date"	has the meaning given in the Lock-Up Agreement;
"Launch Conditions Date RNS"	the announcement from the Bank in respect of the Launch Conditions Date;
"Letter of Accession"	has the meaning given in sub-clause 14.2(a);
"Lock-Up Agreement"	has the meaning given in Recital A;
"Majority Backstop Providers"	the Backstop Providers other than a Defaulting Backstop Provider whose Note Amounts exceed 50% of the aggregate of the Note Amounts of all of the Backstop Providers other than a Defaulting Backstop Provider at the relevant time;
"Members' Scheme"	the scheme of arrangement of the Bank and its ordinary shareholders under Part 26 of the Companies Act 2006 pursuant to which the Restructuring will, in part, be effected;
"Notes"	the 2023 Notes or the 2025 Notes or both of them, as the context requires;
"Note Amount"	in respect of Backstop Provider, the principal amount of Notes held by it as at the Backstop Cut-Off Date;
"Premium"	has the meaning given in clause 12.1;
"Premium Fraction"	(i) where the Information Agent determines that there is a Shortfall, the fraction given by E/F where E is the total number of A Shares actually subscribed for by a Backstop Provider under this Agreement and F is the aggregate of all of the A Shares actually subscribed for by all of the Backstop Providers under this Agreement; or (ii) where the Information Agent determines that there is no Shortfall, each Backstop Provider's Backstop Fraction;
"Qualifying Subscriber"	a holder of Notes who is subject to the Creditors' Scheme and who is an Eligible Investor;
"Regulatory Conditions"	the conditions specified as Regulatory Conditions set out in Part B of Schedule 2 hereto;
"Restructuring"	has the meaning given in Recital A;
"Schemes"	the Creditors' Scheme and the Members' Scheme;
"Scheme Effective Date"	the date on which the Schemes become effective pursuant to section 899(4) of the Companies Act;

"Settlement Date"	the date falling five Business Days after the Scheme Effective Date;
"Share Fraction"	has the meaning given in clause 2;
"Shortfall"	the amount in pounds sterling as determined by the Information Agent in accordance with sub-clause 9(a) by which the Subscription Proceeds is less than £250,000,000;
"Subscription"	a subscription effected pursuant to the Schemes generating net proceeds of £250,000,000 in consideration for the issue of A Shares representing in aggregate 67.6% of the fully diluted issued A Shares in the capital of Holdco, immediately following completion of the Restructuring;
"Subscription Application"	an application made for subscription for A Shares under the Schemes;
"Subscription Deadline"	the last date under the terms of the Subscription on which a valid Subscription Application may be submitted for A Shares;
"Subscription Proceeds"	the aggregate proceeds in pounds sterling received or to be received by the Information Agent in respect of the Subscriptions, plus (i) any monies which the Information Agent is authorised to receive through the Clearing Systems, and (ii) monies in respect of which the Information Agent has received written confirmation from Computershare Investor Services, acting as receiving agent, that it will receive;
"Subscription Period"	the period commencing on the date of the launch of the Schemes and terminating on the Subscription Deadline; and
"Terminated Backstop Provider"	has the meaning given in clause 19.3.

1.2 Unless the context requires otherwise, the following words and expressions shall have the following meanings:

- (a) words importing the singular shall include the plural and vice versa;
- (b) words importing any particular gender shall include all other genders;
- (c) references to persons shall include bodies of persons whether corporate or incorporate;
- (d) a reference to "**GBP**", "**£**" or "**pounds sterling**" is to the lawful currency for the time being of the United Kingdom;

- (e) a reference to any statute or statutory provision shall be construed as referring to that statute or statutory provision as the same may from time to time be amended, modified, extended, re-enacted or replaced (whether before or after the date of this Agreement) and including all subordinate legislation made under it from time to time; and
- (f) headings are for reference purposes only and shall not be incorporated into this Agreement and shall not be deemed to be any indication of the meaning of the clauses and sub-clauses to which they relate.

2. **BACKSTOP COMMITMENT**

Subject to the terms and conditions set forth in this Agreement, each Backstop Provider hereby undertakes, severally, and not jointly, or jointly and severally, to subscribe for such number of A Shares, including any A Shares arising from the aggregation of fractions resulting from entitlements in the Subscription (each, a "**Share Fraction**"), and make payment of an amount in pounds sterling that corresponds to its Backstop Amount in consideration for the issue by Holdco of A Shares to each of the Backstop Providers in accordance with the provisions of this Agreement.

3. **ISSUE OF A SHARES**

Holdco shall, pursuant to the Creditors' Scheme, issue A Shares to each Backstop Provider on the Settlement Date in consideration for the payment by such Backstop Provider of the Backstop Amount.

4. **DETERMINATION OF BACKSTOP COMMITMENT**

On the Backstop Cut-Off Date, each Backstop Provider shall deliver to the Information Agent a certificate confirming its Note Amount as at 5:00p.m (London time) on such date. The Information Agent shall calculate the amount of each Backstop Provider's Backstop Commitment and promptly deliver to each Backstop Provider a Backstop Commitment Notice. The Information Agent shall deliver a copy of all Backstop Commitment Notices to Holdco and the Bank.

5. **STANDSTILL**

The Backstop Providers hereby agree that for the period beginning on the date of this Agreement, or with respect to an Acceding Backstop Provider, on the date of its accession to this Agreement in accordance with clause 14.2, and ending on the Backstop Cut-Off Date, it shall not dispose of any Notes to any person other than a Backstop Provider, provided that a Backstop Provider may dispose of Notes to a third party who accedes to this Agreement no later than the date when any such disposal is effected.

6. **CORPORATE ACTIONS**

The Information Agent shall:

- (a) promptly following the directions hearing where the High Court of Justice of England and Wales makes an order granting permission for the Bank to convene a meeting to consider, and if thought fit, approve the Creditors' Scheme, provide the explanatory statement in relation to the Creditors' Scheme to the Clearing Systems for the purposes of enabling the Clearing Systems to establish their relevant corporate actions in relation to the Creditors' Scheme and this Agreement; and

- (b) by no later than the next following Business Day (the "**Corporate Actions Date**"), notify Holdco, the Bank and the Backstop Providers that it has done so.

7. **UNDERTAKING OF THE BACKSTOP PROVIDERS**

7.1 Within five Business Days following the Corporate Actions Date, each Backstop Provider shall:

- (a) where such Backstop Provider holds Notes comprised in its Note Amount through a Clearing System, procure that its Account Holder:
 - (i) delivers custody instructions to the applicable Clearing System to block at least £100,000 in principal amount of Notes (in relation to a Backstop Provider, such Notes, its "**Blocked Notes**") and authorise the relevant Clearing System to debit from the Backstop Provider's Account Holder the amount in pounds sterling of such Backstop Provider's Backstop Amount, including, in respect of an Initial Backstop Provider only, the amount in pounds sterling of such Initial Backstop Provider's Initial Backstop Percentage of any Defaulting Backstop Provider's Unpaid Amount on or following the Backstop Funding Notice Date, in response to a Funding Notice served by the Information Agent in accordance with clause 10.1. The Information Agent shall receive all such monies into the Escrow Account; and
 - (ii) delivers through the relevant Clearing System an irrevocable Account Holder Letter in relation to its Blocked Notes to the Information Agent; or
- (b) where such Backstop Provider does not hold any Notes comprised in its Note Amount through a Clearing System, pay directly into the Escrow Account of the Information Agent the amount in pounds sterling that corresponds to its Backstop Commitment and satisfy the Know Your Customer requirements of the Information Agent as set out in Schedule 5.

7.2 Each Backstop Provider other than an Escrow Backstop Provider undertakes to maintain or procure that its Account Holder maintains the block on its Blocked Notes through a Clearing System throughout the period beginning on the date of delivery of custody instructions to the applicable Clearing System in accordance with clause 7.1(a)(i) and ending on the Settlement Date and shall not revoke those custody instructions.

8. **FAILURE TO CONFIRM BACKSTOP COMMITMENT OR MAKE ESCROW PAYMENT**

8.1 A Backstop Provider who fails to perform its obligations under clause 7, including, to the extent applicable, the satisfaction of the Information Agent's Know Your Customer requirements shall be in default.

8.2 On the 6th Business Day after the Corporate Actions Date, the Information Agent shall promptly notify Holdco, Bank and the Initial Backstop Providers of the name and Backstop Commitment of any Acceding Backstop Provider who has failed to perform its obligations under clause 7 (a "**Defaulting Backstop Provider**").

8.3 The Initial Backstop Providers hereby undertake to pay up to their Initial Backstop Percentage of any Defaulting Backstop Provider's Unpaid Amount and shall subscribe for the A Shares, including any Share Fractions, corresponding to such Defaulting Backstop Provider's Unpaid Amount, in each case, in accordance with the terms of this Agreement.

8.4 Notwithstanding any obligation of an Initial Backstop Provider under clause 8.3, nothing herein shall relieve a Defaulting Backstop Provider from liability in respect of a breach of its obligations under this Agreement.

8.5 For the avoidance of doubt, a Defaulting Backstop Provider shall not be entitled to receive any A Shares or Share Fractions as a Backstop Provider and save for the determination from time to time of a Defaulting Backstop Provider's Unpaid Amount and an Initial Backstop Provider's Initial Backstop Percentage of any Defaulting Backstop Provider's Unpaid Amount, as at the 6th Business Day following the Corporate Actions Date, a Defaulting Backstop Provider, its Backstop Commitment, its Backstop Amount, and its Note Amount, as applicable, shall be excluded from all determinations, calculations, votes, consents, waivers, agreements or authorisations which would otherwise pursuant to the terms of this Agreement involve or require the participation of a Backstop Provider or the inclusion of the Backstop Commitment, Backstop Amount or Note Amount of a Backstop Provider.

9. DETERMINATION OF BACKSTOP PAYMENT AMOUNT

On the Subscription Deadline, the Information Agent shall determine and notify Holdco, the Bank and the Backstop Providers of:

- (a) the amount by which the Subscription Proceeds are in aggregate less than £250,000,000 as at 4:30 p.m. (London time) on that date (the "**Shortfall**");
- (b) the Backstop Amount of each Backstop Provider; and
- (c) in respect of each Initial Backstop Provider only, such Initial Backstop Provider's Initial Backstop Percentage of any Defaulting Backstop Provider's Unpaid Amount.

10. ISSUE OF FUNDING NOTICE AND PAYMENTS OF BACKSTOP PAYMENT AMOUNT

10.1 The Information Agent shall issue a Funding Notice to each Backstop Provider, their Account Holder and the relevant Clearing System on the Backstop Funding Notice Date in respect of each Backstop Provider who is not an Escrow Backstop Provider demanding:

- (a) payment from such Backstop Provider's Clearing System Account Holder of its Backstop Amount; and
- (b) in respect of an Initial Backstop Provider only, payment of an amount in pounds sterling equal to such Initial Backstop Provider's Initial Backstop Percentage of any Defaulting Backstop Provider's Unpaid Amount.

10.2 Each Escrow Backstop Provider undertakes to pay its Backstop Amount on the Backstop Funding Notice Date and hereby authorises the Information Agent to apply the Escrow Monies paid into the Escrow Account by such Escrow Backstop Provider pursuant to sub-clause 7.1(b) for this purpose in accordance with clause 13.2.

10.3 The monies so received shall be applied by the Information Agent in payment for subscriptions of A Shares for each Backstop Provider under the terms and conditions of the Subscription.

10.4 Settlement of all payments from the Escrow Account to or for the benefit of Holdco and the issue of A Shares pursuant to the terms of this Agreement shall be conditional upon the satisfaction of each of the Regulatory Conditions, and on the satisfaction or waiver in writing by the Majority Backstop Providers, of each of the Closing Conditions, provided that:

- (a) Closing Condition 7 may only be waived in writing by the Initial Backstop Providers; and
- (b) the Closing Conditions shall be deemed satisfied unless, prior to the Scheme Effective Date, the Majority Backstop Providers, acting reasonably and in good faith, give notice to the Bank that one or more of the Closing Conditions has not been satisfied.

11. DETERMINATION AND NOTIFICATION

- 11.1 The Information Agent shall, to the extent reasonably practicable, deliver all notices required pursuant to this Agreement no later than 12:00 p.m. (London time) on the relevant date. The determinations made and the notices delivered by the Information Agent pursuant to this Agreement, in the absence of manifest error, fraud, wilful default or gross negligence shall be final and binding on all persons.
- 11.2 Without prejudice to the binding nature of the Information Agent's determinations and notices as set out in clause 11.1 above, the Information Agent shall, if reasonably requested in writing by Holdco, the Bank, or a Backstop Provider, provide evidence of the basis upon which its determinations were made.

12. PREMIUM

- 12.1 In consideration of their agreement to act as Backstop Providers, the Backstop Providers will be entitled to receive an aggregate premium which shall be satisfied by the issue of A Shares, fully paid, to the Backstop Providers in proportion to each Backstop Provider's Premium Fraction of 451,456,510 A Shares (the "**Premium**"), which shall equate to 5% of the fully diluted shares of Holdco, following the adoption by Holdco of new articles of association on or prior to the Settlement Date and the conversion and subdivision of Holdco's existing ordinary shares into A Shares.
- 12.2 For the avoidance of doubt, a Defaulting Backstop Provider shall not be entitled to receive a Premium.

13. ESCROW ARRANGEMENTS

- 13.1 The Holdco, the Bank and the Backstop Providers who have paid into the Escrow Account of the Information Agent in accordance with sub-clause 7.1(b) the amount in pounds sterling that corresponds to such Backstop Provider's Backstop Commitment (each, an "**Escrow Backstop Provider**") hereby appoint the Information Agent as escrow agent and the Information Agent hereby accepts this appointment to hold in escrow and handle in accordance with the provisions of this Agreement all payments (the "**Escrow Monies**") made by the Escrow Backstop Providers.
- 13.2 The parties hereto acknowledge and agree that the Escrow Monies shall only be released or returned, as the case may be, as follows:
 - (a) in payment for such A Shares in respect of which the relevant Escrow Backstop Provider has made a Subscription Application pursuant to the Schemes;
 - (b) in payment for such number of A Shares, including any Share Fractions, as corresponds to such Escrow Backstop Provider's Backstop Fraction of the Shortfall, including, in respect of an Initial Backstop Provider only, such Initial Backstop Provider's Initial Backstop Percentage of any Defaulting Backstop Provider's Unpaid

Amount, for which the relevant Escrow Backstop Provider is obliged to subscribe pursuant to this Agreement;

- (c) to the relevant Escrow Backstop Provider following the Settlement Date, to the extent that such Escrow Monies are not required to satisfy the relevant Backstop Provider's obligation to either subscribe for A Shares pursuant to a Subscription Application made under the Schemes or to subscribe for A Shares pursuant to its obligations under this Agreement; or
- (d) to the relevant Escrow Backstop Provider following termination of this Agreement prior to the Settlement Date pursuant to clause 19.

13.3 The Information Agent:

- (a) shall hold, administer and transfer the Escrow Monies only in accordance with the terms of this Agreement;
- (b) shall not be required to assume any obligation or liability to take any legal action under this Agreement or to require that the Bank, Holdco or the Backstop Providers comply with any provision of this Agreement;
- (c) shall not be liable for the failure of any person to make any payment of monies in accordance with the terms of this Agreement including, without limitation, any payment of monies into the Escrow Account;
- (d) may refrain from doing anything which would or might be contrary to any law of any jurisdiction or any directive or regulation of any agency or any state or supranational body and may do anything which is necessary to comply with any such law, directive or regulation;
- (e) shall be entitled to rely upon any certificate, instruction, notice, or other written instrument delivered to it under this Agreement without being required to determine the authenticity or the correctness of any fact stated therein (except for errors evident from the face of the document or known to the Information Agent);and
- (f) may assume that any person purporting to give a receipt or certificate or notice or execute any document in connection with the provisions of this Agreement has been duly authorised to do so.

13.4 If at any time Escrow Monies are to be paid into the Escrow Account of the Information Agent such payments are to be made using the bank account details set out in Schedule 4.

14. EFFECTIVENESS OF AGREEMENT AND ACCESSION

14.1 This Agreement shall become effective between Holdco, the Bank, the Information Agent and each Initial Backstop Provider on the later of:

- (a) the due execution of this Agreement by Holdco, the Bank, the Information Agent and each Initial Backstop Provider; and
- (b) the time of publication of the Launch Conditions Date RNS.

14.2 Until the Backstop Cut-Off Date an Acceding Backstop Provider may accede to this Agreement by delivering to each of the Initial Backstop Providers, Holdco and the Bank:

- (a) a duly signed and completed letter of accession in the form set forth in Schedule 3 hereto (the "**Letter of Accession**"); and
 - (b) a duly signed and completed accession deed substantially in the form set out in Schedule 1 to the Lock-Up Agreement, as evidence of such Acceding Backstop Provider's accession to the Lock-Up Agreement.
- 14.3 Upon acceding to this Agreement the terms of this Agreement shall be effective in respect of such Acceding Backstop Provider as if it were a party to this Agreement as a Backstop Provider.
15. **WARRANTIES OF HOLDCO**
- 15.1 As of the date hereof, Holdco warrants to the parties to this Agreement with respect to itself that:
- 15.2 It is duly incorporated and validly existing under the laws of its jurisdiction of incorporation, has the power and authority to conduct its business in the manner that it is currently conducted and has not traded.
- 15.3 All necessary corporate and other action has been taken to authorise it to enter into this Agreement and perform the transactions contemplated herein.
- 15.4 This Agreement has been duly authorised, executed and delivered and constitutes valid, legal and binding obligations enforceable against it.
- 15.5 The A Shares when issued and allotted as provided herein, will be free from all encumbrances, claims, liens, or other third party rights of any kind.
- 15.6 The execution of this Agreement, the compliance by it with the provisions of this Agreement, and the consummation of the transactions contemplated herein:
- (a) will not conflict with, or result in a violation of the provisions of, or constitute a default under (or be subject to approval that has not been obtained), any agreement or instrument to which it is a party or by which it is bound;
 - (b) will not result in any violation of its articles of association or other governing documents or any provision of law, judgment or decree of any court or governmental, regulatory or other authority having jurisdiction over it (each, a "**Governmental Authority**"); and
 - (c) do not require any consent, authorisation, order, registration or qualification of or with any Governmental Authority, other than as provided for under the Lock-Up Agreement.
- 15.7 It has not filed for insolvency or similar proceedings and no such proceedings have been commenced which could lead to it being dissolved and its assets being distributed among its creditors, shareholders or other contributors.
16. **WARRANTIES OF BANK**
- 16.1 As of the date hereof, the Bank warrants to the parties to this Agreement with respect to itself that:

- 16.2 It is duly incorporated and validly existing under the laws of its jurisdiction of incorporation and has the power and authority to conduct its business in the manner that it is currently conducted.
- 16.3 All necessary corporate and other action has been taken to authorise it to enter into this Agreement and perform the transactions contemplated herein.
- 16.4 This Agreement has been duly authorised, executed and delivered and constitutes valid, legal and binding obligations enforceable against it.
- 16.5 The execution of this Agreement, the compliance by it with the provisions of this Agreement, and the consummation of the transactions contemplated herein:
- (a) will not conflict with, or result in a violation of the provisions of, or constitute a default under (or be subject to approval that has not been obtained), any agreement or instrument to which it is a party or by which it is bound;
 - (b) will not result in any violation of its articles of association or other governing documents or any provision of law, judgment or decree of any Governmental Authority; and
 - (c) do not require any consent, authorisation, order, registration or qualification of or with any court or Governmental Authority, other than as provided for under the Lock-Up Agreement.

17. WARRANTIES OF THE BACKSTOP PROVIDERS

- 17.1 As of the date hereof, each of the Backstop Providers warrants to the parties to this Agreement with respect itself that:
- 17.2 It is an Eligible Investor.
- 17.3 It is duly incorporated and validly existing under the laws of its jurisdiction of incorporation and has the power and authority to conduct its business in the manner that it is currently conducted.
- 17.4 All necessary corporate and other action has been taken to authorise it to enter into this Agreement and perform the transactions contemplated herein.
- 17.5 This Agreement has been duly authorised, executed and delivered and constitutes valid, legal and binding obligations enforceable against it.
- 17.6 The execution of this Agreement, the compliance by it with the provisions of this Agreement, and the consummation of the transactions contemplated herein:
- (a) will not conflict with, or result in a violation of the provisions of, or constitute a default under (or be subject to approval that has not been obtained), any agreement or instrument to which it is a party or by which it is bound;
 - (b) will not result in any violation of its articles of association or other governing documents or any provision of law, judgment or decree of any Governmental Authority; and

- (c) do not require any consent, authorisation, order, registration or qualification of or with any court or Governmental Authority, other than as provided for under the Lock-Up Agreement.

17.7 It has not filed for insolvency or similar proceedings and no such proceedings have been commenced which could lead to it being dissolved and its assets being distributed among its creditors, shareholders or other contributors.

18. UNDERTAKINGS OF HOLDCO

Holdco undertakes to pass such resolutions as may be necessary prior to the Settlement Date in order to fulfil its obligations under this Agreement and to facilitate the Holdco Acquisition and the Restructuring, including:

- (a) the issue and allotment of such number of A Shares, free and clear of all encumbrances, as is required pursuant to the Creditors' Scheme;
- (b) the disapplication of any pre-emption rights or other restrictions attaching to the A Shares required for the purposes of consummating the Restructuring;
- (c) the preparation, filing and delivery of any returns, particulars, resolutions, share certificates and other documents required by law;
- (d) recording the Backstop Provider or such person directed by the Backstop Provider as the legal and beneficial owner of any relevant A Shares in Holdco's register of members; and
- (e) any other action required by Holdco in furtherance of the Schemes.

19. TERMINATION

19.1 This Agreement shall terminate with immediate effect upon the termination of the Lock-Up Agreement in accordance with its terms.

19.2 Without affecting any other right or remedy available to it, no later than two Business Days prior to the Subscription Deadline, a Backstop Provider may terminate its rights and obligations under this Agreement with immediate effect by giving written notice to Holdco, the Bank, the Initial Backstop Providers and the Information Agent if an order of a governmental body or court of competent jurisdiction restraining or otherwise preventing the Backstop Provider from participating in the implementation of the Restructuring has been made and is continuing concerning such Backstop Provider.

19.3 Upon receipt by the Information Agent of a notice of termination from an Acceding Backstop Provider (a "**Terminated Backstop Provider**") pursuant to clause 19.2, the Information Agent shall determine and treat the Backstop Amount of such Terminated Backstop Provider pursuant to the Information Agent's obligations under sub-clause 9(c) and sub-clause 10.1(b) of this Agreement as if such Terminated Backstop Provider was a Defaulting Backstop Provider and such Terminated Backstop Provider's Backstop Amount was a Defaulting Backstop Provider's Unpaid Amount.

19.4 For the avoidance of doubt, a Terminated Backstop Provider shall not be issued any A Shares as a Backstop Provider, nor shall it be entitled to any Premium and as at the date of serving its notice of termination pursuant to clause 19.2 its Backstop Commitment, its Backstop Amount, and its Note Amount, as applicable, shall be excluded from all

determinations, calculations, votes, consents, waivers, agreements or authorisations which would otherwise pursuant to the terms of this Agreement involve or require the participation of a Backstop Provider or the inclusion of the Backstop Commitment, Backstop Amount or Note Amount of a Backstop Provider.

- 19.5 The Initial Backstop Providers undertake to pay up to their Initial Backstop Percentage of the Backstop Amount of any Terminated Backstop Provider as if such Terminated Backstop Provider was a Defaulting Backstop Provider and such Terminated Backstop Provider's Backstop Amount was a Defaulting Backstop Provider's Unpaid Amount.
- 19.6 Termination of this Agreement shall not affect any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of the Agreement which existed at or before the date of termination.

20. **FURTHER ASSURANCES**

Each party to this Agreement shall, and shall use all reasonable endeavours to procure that any necessary third party shall, promptly execute and deliver such documents and perform such acts as may reasonably be required for the purpose of giving full effect to this Agreement.

21. **COMMUNICATIONS AND NOTICES**

- 21.1 Any notice or other document to be given under this Agreement shall be in writing and be deemed duly given if signed by or on behalf of a duly authorised officer of the party giving the notice and if hand-delivered to or sent by pre-paid registered or recorded delivery post or by electronic mail or facsimile transmission or other means of telecommunication in permanent written form to the address of the party receiving such notice as set out below, or such other address as that party may from time to time notify to the other parties in accordance with this clause 21.
- 21.2 Any notice or communication sent as above shall be deemed given to and received by the addressee at the time the same is left at the address or hand-delivered to a representative of the party to be served, or three Business Days after posting (in the case of pre-paid registered or recorded delivery) or the next Business Day after transmission later than 5:00p.m. (London time) by electronic mail, facsimile or other means of telecommunication in permanent written form.
- 21.3 In proving the giving of a notice it shall be sufficient to prove that the notice was left, or that the envelope containing the notice was properly addressed and posted, or that the applicable means of telecommunication was addressed and despatched and despatch of the transmission was confirmed and/or acknowledged as the case may be.

If to the Bank:

The Co-operative Bank P.L.C.
St Paul's House
10 Warwick Lane
London, EC4M 7BP
Attention: John Worth, Chief Financial Officer; and Brona McKeown, General Counsel

Email: john.worth@cfs.coop; brona.mckeown@cfs.coop

with a copy to (which shall not constitute notice):

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom
Attention: Lee Coney and Philip Hertz
Email: ProjectRio-Lima@CliffordChance.com

If to the Information Agent:

Lucid Issuer Services Limited
Tankerton Works
12 Argyle Walk
London WC1H 8HA

Attention: Sunjeeve Patel
Email: co-op@lucid-is.com

If to the Backstop Providers and to Holdco:

To each Initial Backstop Provider at the address set forth on the signature page hereof and to each Acceding Backstop Provider at the address set forth in its Letter of Accession

with a copy to (which shall not constitute notice):

Paul Hastings (Europe) LLP
10 Bishops Square
London E1 6EG
United Kingdom
Attention: David Ereira and Ronan O'Sullivan
Email: davidereira@paulhastings.com and ronanosullivan@paulhastings.com

22. **GOVERNING LAW AND JURISDICTION**

- 22.1 This Agreement and all non-contractual obligations arising out of or in connection with this Agreement, if any, shall be governed by the laws of England and Wales.
- 22.2 The courts of England shall have jurisdiction with regard to any dispute arising out of or in connection with this Agreement and the parties hereby submit to the jurisdiction of the courts of England and Wales.

23. **MISCELLANEOUS**

- 23.1 This Agreement may be executed in any number of counterparts. Exchange of counterparts duly executed by the respective party shall suffice. Each executed copy shall be an original of one and the same agreement.
- 23.2 Any modification or amendment to this Agreement shall only be made in writing and with the prior written consent of the Bank, Holdco and the Majority Backstop Providers. Any such modification or amendment will be binding on all the parties to this Agreement, provided that no modification or amendment may be made to any financial obligation or right of any party under this Agreement without the prior written consent of all the parties. Any modification or

amendment to this clause 23.2 may only be made in writing and with the prior written consent of all the parties to this Agreement.

- 23.3 No party may assign or transfer any of its rights under this Agreement without the written consent of the other parties.
- 23.4 Without prejudice to any other rights or remedies that the parties to this Agreement may have, each party to this Agreement acknowledges and agrees that damages alone would not be an adequate remedy for any breach of the terms of this Agreement. Accordingly, the parties shall be entitled to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of the terms of this Agreement.
- 23.5 All amounts payable, or consideration given, by one party (the "**Recipient**") to another party for any supplies which may be subject to value added and similar taxes ("**VAT**") under this Agreement are exclusive of any VAT and the Recipient shall in addition pay an amount in pounds sterling equal to any VAT chargeable on those sums or consideration.
- 23.6 Should any provision of this Agreement be or become invalid either in whole or in part, the other provisions of this Agreement shall remain in force. It is understood by the parties hereto that any invalid provision shall be replaced by a valid provision which accomplishes as far as legally possible the economic effects of the invalid provision.
- 23.7 The terms and provisions of this Agreement are intended solely for the benefit of the parties hereto and their respective successors and permitted assigns. Any person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.
- 23.8 If there is any inconsistency between any of the provisions of this agreement and the provisions of the Lock-Up Agreement, the provisions of this Agreement shall prevail.
- 23.9 This Agreement constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

(signature pages follow)

SCHEDULE 1

THE INITIAL BACKSTOP PROVIDERS

Name	Initial Backstop Percentage %	Amount (£)
<p>ANCHORAGE CAPITAL GROUP, LLC</p> <ul style="list-style-type: none"> • Anchorage Illiquid Opportunities Offshore Master V, L.P. 	<p>██████████</p>	<p>██████████</p>
<p>BLUEMOUNTAIN CAPITAL MANAGEMENT LLC</p> <ul style="list-style-type: none"> • BlueMountain Timberline Ltd • BlueMountain Foinaven Master Fund L.P. • BlueMountain Monteners Master Fund SCA SICAV-SIF • BlueMountain Kicking Horse Fund L.P. • Blue Mountain Credit Alternatives Master Fund L.P. • BlueMountain Logan Opportunities Master Fund L.P. 	<p>██████████</p>	<p>██████████</p>
<p>CYRUS CAPITAL PARTNERS, L.P.</p> <ul style="list-style-type: none"> • Cyrus Opportunities Master Fund II, Ltd. • CRS Master Fund, L.P. • Crescent 1, L.P. • Cyrus Select Opportunities Master Fund, Ltd • Canary SC Master Fund, L.P. • Cyrus Special Strategies Master Fund, L.P. 	<p>██████████</p>	<p>██████████</p>
<p>GOLDENTREE ASSET MANAGEMENT L.P.</p> <ul style="list-style-type: none"> • San Bernadino County Employees Retirement Association • GT NM, L.P. • GoldCoast Capital Subsidiary X Limited • GoldenTree Asset Management Lux s.a.r.l • Louisiana State Employees Retirement System 	<p>██████████</p>	<p>██████████</p>

<p>SILVER POINT CAPITAL L.P.</p> <ul style="list-style-type: none"> • Silver Point Capital Offshore Master Fund, LP. • Silver Point Capital Fund, LP. 	<div style="background-color: black; width: 100%; height: 100%;"></div>	<div style="background-color: black; width: 100%; height: 100%;"></div>
<p>TOTAL</p>	<p>100.000000</p>	<p>250,000,000.00</p>

SCHEDULE 2

CLOSING AND REGULATORY CONDITIONS

PART A – Closing Conditions

1. The passing of the Noteholder Resolution (as defined in the Lock-Up Agreement) and if required, the Shareholder Resolution (as defined in the Lock-Up Agreement).
2. Approval by the requisite majorities at the meetings convened under the Creditors' and the Members' Scheme, the receipt of sanction of both Schemes by the court, and the registration of both Schemes at Companies House.
3. The entry into all relevant agreements between the Bank and the Co-operative Group Limited and its affiliates as set out in the group term sheet annexed to the Lock-Up Agreement in a form satisfactory to the Initial Backstop Providers (in their reasonable good faith judgement) and the terms of such agreements being observed in all material respects by no later than the Scheme Effective Date.
4. The Prudential Regulatory Authority ("**PRA**") has not indicated an intention prior to the Scheme Effective Date to adversely adjust the capital requirements of the Bank to a material degree as determined by the Initial Backstop Providers (in their reasonable good faith judgement), other than as a result of changes of wider application to PRA regulated firms.
5. No illegality affecting the Restructuring prior to the Scheme Effective Date.
6. No Insolvency affecting Holdco, the Bank and all of the subsidiaries of the Bank (the "**Bank Group**") prior to the Scheme Effective Date.
7. That the sum of £250 million has been received under the Subscription or the Backstop Arrangements (as defined in the Lock-Up Agreement).
8. Confirmation from the Bank's auditors as to the accounting treatment of the transaction steps such confirmation to be shared with the Backstop Providers and their advisors on a non-reliance basis.
9. The receipt of tax advice with reliance in form and substance reasonably satisfactory to the Initial Backstop Providers from the Bank's advisors and, to the extent available from Her Majesty's Revenue and Customs, a clearance on the Restructuring, such advice and clearance (as appropriate) to confirm: (i) the tax consequences of the Restructuring for the Bank and the Holdco; (ii) no material reduction in the amount of deferred tax assets available to the Bank as a consequence of the Restructuring (being the amount of deferred tax assets available immediately prior to the Restructuring); and (iii) the circumstances in which such deferred tax assets will continue to be available to the Bank after the Settlement Date by no later than the Scheme Effective Date.
10. Bank having provided all reasonable assistance necessary to the Initial Backstop Providers to help analyse the US tax rules relating to passive foreign investment companies and/or controlled foreign corporations as they may apply in respect of holdings (direct or indirect) in Bank and Holdco by no later than the Scheme Effective Date.
11. The Lock-Up Agreement remains in full force and effect and has not been terminated prior to the Scheme Effective Date.

PART B – Regulatory Conditions

1. The granting of consent by the PRA, and the Financial Conduct Authority (if required), to all applications for a change in controller submitted in respect of each member of the Initial Backstop Providers (as applicable) and Holdco pursuant to Part XII Financial Services and Markets Act 2000.
2. The granting of permission by the PRA to the Holdco's issuance of A Shares (pursuant to the terms agreed by the parties) pursuant to Article 26(3) of Regulation 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**").
3. The granting of permission by the PRA to reduce, repurchase, call or redeem the Tier 2 capital held by the Bank (pursuant to the terms agreed by the parties) pursuant to Articles 77 and 78 of the CRR.

SCHEDULE 3

BACKSTOP PROVIDER LETTER OF ACCESSION

[Letterhead of Acceding Backstop Provider]

To:
the Initial Backstop Providers
Holdco
Bank

With a copy to:

the Information Agent

[Date], 2017

**Backstop Provider Letter of Accession
Backstop Agreement dated [] July 2017**

Dear Sirs,

We refer to the Backstop Agreement dated [] July 2017, entered into among the Bank, Holdco, the Information Agent and the Backstop Providers, a copy of which is attached hereto (the "**Backstop Agreement**"). Terms used in this letter shall have the meanings given to them in the Backstop Agreement.

In accordance with clause 14.2 of the Backstop Agreement and in consideration of the Premium, we hereby accede to the Backstop Agreement and acknowledge and agree as from the date hereof to be bound by the terms and conditions of the Backstop Agreement and to assume the same rights and obligations thereunder as those of a Backstop Provider.

We have enclosed herewith our duly signed and completed deed of accession to the Lock-Up Agreement.

For the purposes of the Backstop Agreement our notice details are as follows: [insert name, address, telephone, facsimile, email address and attention].

This letter is governed by, and shall be construed in accordance with, the laws of England and Wales and we hereby submit to the jurisdiction of the courts of England and Wales to settle any disputes arising out of or in connection with this letter.

By:
Name:
Title:

Principal Amount of 2023 Notes (£) held as at 5pm (London time) on [] July 2017	Principal Amount of 2025 Notes (£) held as at 5pm (London time) on [] July 2017	Name of Account Holder

SCHEDULE 4
ESCROW ACCOUNT DETAILS

Bank:	BNP Paribas, London Branch
Account Number:	8730 2019
Sort Code:	40-63-84
Account Name:	Lucid Issuer Services Limited Re Co-op Escrow
Reference:	Co-op Backstop
IBAN:	GB06 BNPA 4063 8487 3020 19
SWIFT/BIC:	BNPAGB22

SCHEDULE 5

KNOW YOUR CUSTOMER INFORMATION

KYC required by the Information Agent The Information Agent shall require the following from each Backstop Provider who wishes to fund directly into the Escrow Account:

Type of party	Evidence required
Corporate entity	<p>The Information Agent will require evidence of the party's:</p> <ol style="list-style-type: none"> 1. registered number; 2. registered full name (including "limited", "plc", "LLP", "LLC", etc.); 3. names of directors, partners or principals; 4. registered address; and 5. the names of individuals who control or own 25% or more of its shares or voting rights. <p align="center">OR</p> <p>Extracts from the regulatory authority confirming status of the Backstop Provider together with confirmation that any underlying funds are within such regulatory authority</p>
Individual	<p>The Information Agent will require evidence of the party's:</p> <ul style="list-style-type: none"> • Name: Certified copies of original documents of at least one of the following (which must contain the individual's date of birth) should be provided: <ul style="list-style-type: none"> • current full valid signed passport; • national identity card; • current UK or EEA photo-card driving licence; • Address: Certified copies of at least one of the following (which <u>must</u> also show the individual's name) should be provided: <ul style="list-style-type: none"> • a recent (i.e. within the last 3 months) utility bill (but not bills printed off the internet or a mobile phone bill); • a recent (i.e. within the last 3 months) letter from the individual's bank or building society confirming the name and address of the individual; • a recent (i.e. within the last 3 months) bank, building society or credit card statement

	<p>containing current address;</p> <ul style="list-style-type: none">• national identity card (<u>if not also used for personal identity</u>); and/or• current photo card driving licence (<u>if not also used for personal identity</u>).
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