

EXECUTION VERSION

BRIDGE LOAN FACILITY

THIS AGREEMENT is dated November 2013 and is made **BETWEEN**:

- (1) CO-OPERATIVE GROUP LIMITED (registration number IP00525R) as lender (the **Lender**);
- (2) CO-OPERATIVE BANKING GROUP LIMITED (the **Borrower**);
- (3) THE CO-OPERATIVE BANK P.L.C. (the **Bank**); and
- (4) CO-OPERATIVE GROUP LIMITED (registration number IP00525R) as security trustee for the Secured Parties (the **Security Trustee**).

IT IS AGREED as follows:

1. **Definitions:** Schedule 1 contains a list of defined terms for this Agreement. It also contains rules of construction.
2. **Loans:** Subject to the terms of this Agreement, the Lender makes available to the Borrower a term loan facility to be utilised by way of advances (the **Loans**) denominated in Sterling.

3. **Amount:**

The maximum aggregate amount of Loans that may be utilised under this Agreement is limited to £313,000,000, provided that such limit shall be automatically reduced by an amount equal to:

- (a) the amount of Net Insurance Sale Proceeds received by the Borrower;
- (b) the amount of Enforcement Proceeds; and
- (c) an amount received by the Borrower from any other source (other than the Initial Proceeds or the proceeds of a Loan),

and, in the case of sub-paragraphs (a) and (c) above, applied by the Borrower in satisfaction of its payment obligations under the Undertaking to Pay or, in the case of sub-paragraph (b) above, applied by the Security Trustee in accordance with clause 4 of Schedule 3 to discharge the Borrower's payment obligations under the Undertaking to Pay (the **Commitment**).

4. **Purpose:** To satisfy the payment obligations of the Borrower to the Bank under the Undertaking to Pay.
5. **Conditions precedent to facility:** The obligation of the Lender to make a Loan is conditional upon it being satisfied that:
 - (a) the Borrower has executed and delivered to the Security Trustee the Security Agreement on or about the date of this Agreement; and
 - (b) the Condition has occurred.
6. **Loans:**
 - (a) The Borrower may borrow a Loan by delivery to the Lender (by either the Borrower or the Bank on behalf of the Borrower) of a duly completed Utilisation Request three Business Days prior to the proposed utilisation date.

- (b) A Utilisation Request for a Loan is irrevocable and will not be regarded as having been duly completed unless:
- (i) the proposed utilisation date:
 - (A) is a Business Day within the Availability Period;
 - (B) is the same date on which the Borrower is obliged to make a payment under the Undertaking to Pay;
 - (ii) the amount of the Loan requested is equal to the lower of:
 - (A) the available Commitment; and
 - (B) the amount to be paid by the Borrower under the Undertaking to Pay on the proposed utilisation date (as determined on the date of the Utilisation Request);
 - (iii) the currency of the Loan is Sterling; and
 - (iv) it is signed by a director of the Borrower or the Bank (as the case may be).
- (c) The amount of the Loan requested in any Utilisation Request shall be automatically reduced by:
- (i) the amount of Net Insurance Sale Proceeds received by the Borrower;
 - (ii) the amount of Enforcement Proceeds applied by the Security Trustee; and
 - (iii) any amount received by the Borrower from any other source (other than the Initial Proceeds or the proceeds of a Loan),
- and in each case, applied in discharge of the Borrower's payment obligations under the Undertaking to Pay during the period from (and including) the date of the Utilisation Request to (and including) the proposed utilisation date.
- (d) The Borrower will direct the Lender to, and the Lender will, credit all the proceeds of each Loan to an account of the Bank as designated in the Utilisation Request in satisfaction of the Borrower's obligations under the Undertaking to Pay (and no Loan shall be made by the Lender other than directly to such account of the Bank). Upon the proceeds of each Loan being credited to such account of the Bank, the Bank acknowledges and agrees that an equivalent amount of the Borrower's payment obligations under the Undertaking to Pay will be automatically discharged.
- (e) The Borrower must deliver a written confirmation to the Security Trustee and the Creditors three Business Days prior to the date on which any amount is due under the Undertaking to Pay (the **Relevant Payment**) that (i) any Net Insurance Sale Proceeds (expected to be received by the Borrower in order for the Borrower to satisfy its payment obligations in respect of the Relevant Payment) will not be received in time or will be insufficient for the Borrower to meet its payment obligations in respect of the Relevant Payment and/or (ii) Enforcement Proceeds applied by the Security Trustee in accordance with clause 4 of Schedule 3 are insufficient to discharge the Borrower's payment obligations in respect of the Relevant Payment.
- (f) The Borrower must promptly notify the Security Trustee and the Creditors of:

- (i) the amount of any Net Insurance Sale Proceeds received by the Borrower; and
- (ii) any amount received by the Borrower from any other source (other than the Initial Proceeds or the proceeds of a Loan),

and in each case, applied by the Borrower to meet its payment obligations under the Undertaking to Pay.

- (g) The Security Trustee must promptly notify the Creditors and the Borrower of the amount of any Enforcement Proceeds received and applied by the Security Trustee in accordance with clause 4 of Schedule 3 to discharge the Borrower's payment obligations under the Undertaking to Pay.

7. Repayment and prepayment:

- (a) The Borrower must repay each Loan on the Final Maturity Date.
- (b) No Loan repaid or prepaid may be reborrowed.
- (c) All amounts of Excess Insurance Sale Proceeds shall be applied in prepayment of the outstanding Loans within one Business Day of receipt of those Excess Insurance Sale Proceeds by the Borrower. For the avoidance of doubt, no Net Insurance Sale Proceeds shall be applied in prepayment of the outstanding Loans at any time prior to the Undertaking to Pay Discharge Date.
- (d) If the Lender receives any Enforcement Proceeds from the Security Trustee in accordance with clause 4 of Schedule 3, the Lender shall apply such Enforcement Proceeds towards discharge of the outstanding Loans.

8. Payments:

- (a) All payments by the parties are to be made for value on the due date to a designated account. Payments by the Borrower must be made without set-off or counterclaim and without any deduction. If the Borrower is required to make any deduction from any payment under any Finance Document it must pay an additional amount to ensure receipt by the Lender of the full amount which the Lender would have received but for the deduction.
- (b) Within 30 days of any payment of tax or payment in respect of taxes in connection with any Finance Document, the Borrower must deliver to the Lender evidence satisfactory to the Lender (including all relevant tax receipts) that the tax has been paid to the relevant authority.
- (c) If any payment is scheduled to be made on a day which is not a Business Day, then the payment must be made on the following Business Day (if it is in the same calendar month) or the preceding Business Day (if it is not).
- (d) Any appropriation by the Lender of moneys received from the Borrower against amounts owing under any Finance Document will override any contrary appropriation made by the Borrower.

9. Increased costs: The Borrower must pay to the Lender on demand the amount certified by the Lender as necessary to compensate the Lender for any increased costs or reduction in return under this Agreement or on its capital flowing from compliance with any law, regulation or official directive made after the date of this Agreement.

10. Illegality: If it is illegal in any jurisdiction for the Lender to make, maintain or fund a Loan under this Agreement, the Borrower must, within five days of receipt of a notice from the Lender of the

illegality, repay all amounts outstanding under this Agreement and the Commitment will be immediately cancelled.

11. Representations and warranties:

- (a) The Borrower represents and warrants on the date of this Agreement and on each date that any amount under this Agreement is or may be outstanding that:
 - (i) it is an industrial and provident society with limited liability, duly incorporated and validly existing under the laws of England;
 - (ii) the Finance Documents are within its capacity and powers, have been duly authorised and are its legal, valid, binding and enforceable obligation;
 - (iii) the Finance Documents are in the proper form for their enforcement in England;
 - (iv) the Finance Documents do not conflict with its constitutional documents or in any material respect with any law or any other document binding on it; and
 - (v) all necessary consents and authorisations in relation to the Finance Documents (including in relation to compliance with its obligations thereunder) have been obtained.
- (b) The Borrower represents and warrants on the date of this Agreement, on the date of each Utilisation Request delivered by it and on each utilisation date proposed in such Utilisation Request that:
 - (i) the Borrower is not unable to, nor has it admitted an inability to, pay its debts as they fall due, nor has it suspended making any payment on any of its debts; and
 - (ii) the value of the assets of the Borrower is not less than its liabilities (taking into account contingent and prospective liabilities).

12. Covenants:

- (a) The Borrower must notify the Lender of any Default promptly upon its occurrence.
- (b) Without prejudice to the Transaction Security, the Borrower must ensure that its obligations under the Finance Documents do and will rank at least pari passu with all its other present and future unsecured obligations, except for obligations which are mandatorily preferred by law applying to industrial and provident societies generally.
- (c) The Borrower must apply all Net Insurance Sale Proceeds in satisfaction of its outstanding payment obligations under the Undertaking to Pay in accordance with the 2014 Commitment Agreement until the Undertaking to Pay Discharge Date.
- (d) On or after the Undertaking to Pay Discharge Date, the Borrower must apply the Excess Insurance Sale Proceeds in mandatory prepayment of the Loans as set out in Clause 7(c).
- (e) Until the Undertaking to Pay Discharge Date, the Borrower shall not incur any liabilities except for:
 - (i) liabilities incurred in the ordinary course of operating its business;
 - (ii) the provision of administrative services to its subsidiaries of a type customarily provided by a holding company to its subsidiaries;

- (iii) any liabilities under the Finance Documents and the 2014 Commitment Agreement;
 - (iv) any liabilities in connection with Project Iron or Project Jupiter; and
 - (v) any other liabilities not referred to above in connection with the Liability Management Exercise.
- (f) Other than as contemplated by the Finance Documents, the Borrower shall not assign, sell, transfer or otherwise dispose of any Insurance Sale Proceeds.

13. **Events of Default:**

- (a) Subject to paragraph (b) below, each of the events or circumstances set out in this Clause 13(a) is an Event of Default:
- (i) the Borrower fails to pay any sum when due under any Finance Document;
 - (ii) the Borrower fails to comply with any other provision of any Finance Document or any representation or warranty in (or in connection with) the Finance Documents is or becomes incorrect;
 - (iii) the Borrower goes into liquidation or is dissolved, or a meeting of its members or creditors is convened for the purpose of considering a resolution for (or to petition for) its winding up or for its administration or any such resolution is passed;
 - (iv) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed (or is requested to be appointed) in respect of the Borrower or any of its assets;
 - (v) the Borrower is insolvent or is deemed for the purposes of any law to be unable to pay its debts as they fall due or ceases or threatens to cease to carry on all or a substantial part of its business;
 - (vi) any person presents a petition for the winding-up or for the administration of the Borrower;
 - (vii) any attachment, sequestration, distress or execution affects any material asset of the Borrower and is not discharged within 14 days;
 - (viii) any step (including, without limitation, petition, proposal, convening a meeting, negotiations or suspension of payments on any debt) is taken with a view to the suspension of payments, a moratorium or a composition, compromise, assignment or arrangement with any creditors of the Borrower;
 - (ix) any event analogous (in the opinion of the Lender) to those described in paragraphs (iii) to (viii) (inclusive) above occurs in any jurisdiction;
 - (x) the PRA takes any action (or requires any action to be taken) or gives any formal statement (either to a member of the Group or publicly) which has the effect of there being a high probability that it will take any action (or require any action to be taken), that would mean that any Excess Insurance Sale Proceeds will not be able to be paid to the Lender in accordance with this Agreement and, to the extent applicable, applied in prepayment of the Syndicated Facilities;

- (xi) there is a high probability for any other reason whatsoever that any Excess Insurance Sale Proceeds will not be able to be paid to the Lender in accordance with this Agreement and, to the extent applicable, applied in prepayment of the Syndicated Facilities;
 - (xii) it is or becomes unlawful for the Borrower to perform any of its obligations under the Finance Documents;
 - (xiii) the Transaction Security or any Finance Document ceases to be legal, valid, binding, enforceable or effective or is alleged by the Borrower to be ineffective;
 - (xiv) the Borrower rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or any of the Transaction Security; or
 - (xv) the Bank takes any steps to enforce or require the enforcement of any Transaction Security.
- (b) No Event of Default under paragraphs (a)(x) or (a)(xi) above will occur for a period of 10 Business Days commencing on the date that the Lender becomes aware of the occurrence of any of the matters referred to therein.

14. **Acceleration:**

Subject to Clause 15 below, on and at any time after the occurrence of an Event of Default which is continuing, the Lender may by notice to the Borrower:

- (a) declare that all or part of any amounts outstanding under this Agreement are:
 - (i) immediately due and payable; and/or
 - (ii) payable on demand by the Lender; and/or
- (b) exercise or direct the Security Trustee to exercise any or all of its rights, remedies or discretions under the Finance Documents,

and any notice given under this Clause 14 will take effect in accordance with its terms.

15. **Certain funds:**

Subject as provided for in Clause 10, at any time prior to the Undertaking to Pay Discharge Date, the Lender shall not be entitled to:

- (i) cancel any of the Commitment;
- (ii) rescind, terminate or cancel this Agreement or exercise any similar right or remedy it may have or exercise or cause the exercise of or enforcement of any claims, rights or remedies under this Agreement or the Security Agreement to the extent to do so would prevent or limit the making of a Loan;
- (iii) provided that the conditions precedent set out in Clause 5 have been satisfied and a Utilisation Request has been submitted in accordance with Clause 6, refuse to make a Loan;
- (iv) exercise any right of set-off or counterclaim in respect of a Loan to the extent to do so would prevent or limit the making of a Loan; or
- (v) exercise any rights under Clause 14 to the extent to do so would prevent or limit the making of a Loan,

provided that on or after the Undertaking to Pay Discharge Date, all such rights, remedies and entitlements shall be available to the Lender (including, for the avoidance of doubt, in respect of any matter that arose prior to the Undertaking to Pay Discharge Date).

16. **Convertibility:**

Provided that all amounts outstanding under the Syndicated Facilities Agreement (or any restructuring thereof) have been repaid in full, all amounts outstanding under this Agreement on the Final Maturity Date will be automatically capitalised by way of a capital contribution of such amounts by the Lender to the Borrower.

17. **Miscellaneous Payments:** The Borrower must pay on demand:

- (a) all stamp duties in connection with the Finance Documents;
- (b) such amount as is necessary to indemnify the Lender and the Security Trustee against the consequences of:
 - (i) any non-compliance by the Borrower; and
 - (ii) any Default;
- (c) all costs (including legal fees) incurred by the Lender and the Security Trustee in connection with the enforcement of the Finance Documents; and
- (d) losses flowing from any judgment or claim being payable in a different currency from that agreed under the Finance Documents.

18. **Trust:**

- (a) If the Borrower receives any proceeds of a Loan, the Borrower will:
 - (i) promptly notify the Bank of such receipt;
 - (ii) hold any such proceeds received by it on trust for the Bank for the purposes of discharging the Borrower's obligations under the Undertaking to Pay; and
 - (iii) promptly pay to the Bank an amount equal to such proceeds received towards satisfaction of the Borrower's obligations under the Undertaking to Pay.
- (b) The Borrower declares that it holds the right under Clause 6(a) to borrow a Loan by delivery to the Lender of a duly completed Utilisation Request on trust for the Bank for the purposes of discharging the Borrower's obligations under the Undertaking to Pay.

19. **Assignment:**

- (a) The Borrower hereby assigns to the Bank its rights in respect of any claims the Borrower may have against the Lender in the event that the Lender fails to make any Loan it is required to make pursuant to the terms of this Agreement.
- (b) By its execution of this Agreement, the Lender hereby acknowledges receipt of notice of the assignment referred to in paragraph (a) above, provided that this assignment shall not alter or prejudice any rights that the Lender has against the Borrower under the Finance Documents.

20. **Specific performance:**

Each party agrees and acknowledges for the benefit of the other party that:

- (a) damages are not an adequate remedy for any breach of the terms of this Agreement by either party; and
- (b) specific performance and/or relief to compel performance are appropriate remedies for any such breach and any such remedies shall not be exclusive but shall be cumulative and in addition to any other remedies available to any party.

21. **Market practice:** Relevant market practices and determination of Business Days will be in accordance with the Lender's usual relevant practice as certified by the Lender.

22. **Calculations:**

The accounts kept by the Lender are prima facie evidence of the amounts owing to the Lender under this Agreement. Any certificate or determination by the Lender of an amount under this Agreement is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

23. **Set-off:**

- (a) The Lender shall not set off any obligation due and payable by the Borrower under this Agreement against any moneys held by the Lender for the Borrower's account or any obligation of any type owed by the Lender to the Borrower.
- (b) The Borrower shall not set off any obligation due and payable by the Lender under this Agreement against any moneys held by the Borrower for the Lender's account or any obligation of any type owed by the Borrower to the Lender.

24. **Severability:** If any provision of a Finance Document is prohibited or unenforceable in any jurisdiction, the prohibition or unenforceability will not invalidate the remaining provisions of that Finance Document or affect the validity or enforceability of such provisions in any other jurisdiction.

25. **Transfers:** No party to a Finance Document may assign any of its rights or transfer any of its rights or obligations under the Finance Documents without the consent of the other parties.

26. **Security Trustee:** Schedule 3 sets out the terms and conditions of the appointment of the Security Trustee, the application of proceeds in connection with the Insurance Sale Proceeds and the application of Enforcement Proceeds.

27. **Amendments:**

- (a) Subject to paragraphs (b) and (c) below, any term of the Finance Documents may be amended or waived only with the consent of the Borrower and the Creditors and any such amendment or waiver will be binding on all parties.
- (b) On and after the Undertaking to Pay Discharge Date, the consent of the Bank to any amendment or waiver contemplated by paragraph (a) above will not be required.
- (c) An amendment or waiver which relates to the rights or obligations of the Security Trustee may not be effected without the consent of the Security Trustee.

28. **Waivers:** No failure or delay by the Security Trustee or a Creditor in exercising any right, power or privilege under the Finance Documents will operate as a waiver or prejudice any other or further

exercise by the Security Trustee or a Creditor of any of its rights or remedies under the Finance Documents. The rights and remedies under the Finance Documents are cumulative and not exclusive of any rights or remedies provided by law.

29. **Notices:**

(a) Any communications in connection with the Finance Documents must be given in writing and may be given in person, by post, fax and, to the extent agreed by the parties, e-mail or any other electronic communication. An electronic communication will be treated as being in writing. A notice will be deemed to be given:

- (i) if by letter, when delivered personally or on actual receipt; and
- (ii) if by fax, e-mail or other electronic communication, when received in legible form.

However, a notice given in accordance with the above, but received on a non-working day or after 4.00 p.m. in the place of receipt, will only be deemed to be given on the next working day in that place.

(b) The address of each party to this Agreement for all notices or demands under or in connection with the Finance Documents are as follows:

(i) to the Lender and the Security Trustee at:

1 Angel Square, Manchester, M60 0AG

Marked for the attention of: the Company Secretary

(ii) to the Borrower at:

1 Angel Square, Manchester, M60 0AG

Marked for the attention of: the Company Secretary

(iii) to the Bank at:

PO Box 101, 1 Balloon Street, Manchester, M60 4EP

Marked for the attention of: the Company Secretary

or such other address notified in writing by that party for this purpose to the other parties by not less than 5 Business Days' notice. The fax number and e-mail address of each party to this Agreement for all such notices or demands are those notified in writing by that party before the date of this Agreement to the other party or any other notified by that party for this purpose to the other party by not less than 5 Business Days' notice.

30. **Bank rights:** On or after the Undertaking to Pay Discharge Date, the Bank shall cease to have any rights under the Finance Documents.

31. **Contracts (Rights of Third Parties) Act 1999:** A person who is not a party to this Agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999 and no consent of any third party is required for any variation or termination of any Finance Document.

32. **Counterparts:** Each Finance Document may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.
33. **Law:** This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.
34. **Jurisdiction:** The English courts have exclusive jurisdiction to settle any dispute including a dispute relating to any non-contractual obligation arising out of or in connection with any Finance Document.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

DEFINITIONS AND CONSTRUCTION

1. Definitions

2014 Commitment Agreement means the agreement so entitled between the Bank, the Lender and the Borrower dated on or about the date of this Agreement.

Availability Period means the period starting on 1 January 2014 and ending on 31 December 2014.

Bridge Loan Secured Obligations means the Secured Obligations owing to the Lender in connection with this Agreement.

Business Day means a day (other than Saturday or Sunday) on which banks are open for general business in London.

Commitment has the meaning given to that term in Clause 3.

Condition means the Scheme having become effective in accordance with its terms (including the completion of the subscription of an additional £125 million of new ordinary shares of the Bank in accordance with the terms of the Scheme) and each of the Exchange Offers having become unconditional in accordance with their respective terms.

Creditor means the Lender and the Bank.

Debt Document means each Finance Document and the 2014 Commitment Agreement.

Default means an Event of Default or an event or circumstance which would be (with the expiry of any grace period, the giving of notice, or the making of any determination under this Agreement or any combination of them) an Event of Default.

Delegate means any delegate, agent, attorney or co-trustee appointed by the Security Trustee.

Enforcement Action means:

- (a) the acceleration of any liabilities under the Debt Documents or the making of any declaration that any liabilities are prematurely due and payable under the Debt Documents;
or
- (b) the taking of any steps to enforce or require the enforcement of any Transaction Security.

Enforcement Proceeds means all amounts from time to time received or recovered by the Security Trustee, a Receiver or Delegate in connection with the realisation or enforcement of all or any part of the Transaction Security.

Event of Default means any of the events specified in Clause 13(a).

Exchange Offers means exchange offers by the Bank and Co-operative Group Limited (as applicable) to holders of the Bank's preference shares and perpetual subordinated bonds for certain new securities to be issued by Bank or Co-operative Group Limited (as applicable).

Excess Insurance Sale Proceeds means the Net Insurance Sale Proceeds, but only to the extent that such proceeds are not required in order to satisfy the Borrower's payment obligations under the Undertaking to Pay.

Final Maturity Date means the later of 27 July 2019 and first Business Day after the occurrence of the last Termination Date (as extended from time to time) in relation to the Syndicated Facilities.

Finance Document means this Agreement and the Security Agreement.

Group has the meaning given to that term in the Syndicated Facilities Agreement.

Initial Proceeds means the amount of £20,000,000 paid by the Borrower (being a proportion of the initial consideration received by the Borrower in connection with Project Jupiter) to the Bank in partial satisfaction of the Borrower's payment obligations under the Undertaking to Pay.

Insurance Sale Proceeds means the cash or cash equivalent proceeds (including, when received, the cash or cash equivalent proceeds of any earn-out payments and any deferred consideration, whether by way of adjustment to the purchase price or otherwise) received by the Borrower pursuant to Project Jupiter and/or Project Iron.

Liability Management Exercise means the steps contemplated by the Exchange Offers and the Scheme which form part of the recapitalisation plan of the Bank.

LT2 Notes means the following lower tier 2 bonds issued by the Bank: Floating Rate Callable Step-up Dated Subordinated Notes due 2016 (ISIN: XS0254625998); 5.875% Subordinated Callable Notes due 2019 (ISIN: XS0189539942); 9.25% Subordinated Notes due 28 April 2021 (ISIN: XS0620315902); Fixed/Floating Rate Subordinated Notes due November 2021 (ISIN: XS0274155984); 7.875% Subordinated Notes due 19 December 2022 (ISIN: XS0864253868); 5.75% Dated Callable Step-up Subordinated Notes due 2024 (ISIN: XS0188218183); and 5.875% Subordinated Notes due 2033 (ISIN: XS0145065602).

Net Insurance Sale Proceeds means the Insurance Sale Proceeds after deducting:

- (a) fees, transaction costs and expenses properly incurred in connection with Project Jupiter and Project Iron (as applicable) (including, without limitation, any redundancy costs, costs of closure, reorganisation costs, or costs associated with the reallocation of people or assets directly attributable to such disposal);
- (b) taxes paid or reasonably estimated by the Borrower to be payable (as certified by the Borrower to the Lender) as a result of Project Jupiter and Project Iron (as applicable);
- (c) any consideration which is to be applied towards discharging any security over the assets that are subject of the disposal in connection with Project Jupiter and Project Iron (as applicable);
- (d) any costs of releasing any guarantees to pension schemes or any restructuring or separation costs in connection with Project Jupiter and Project Iron (as applicable); and
- (e) in the case of Project Jupiter, the Initial Proceeds.

PRA means the Prudential Regulation Authority.

Project Iron means the disposal of CIS General Insurance Limited or its assets or business or any part thereof by the Borrower (or any affiliate thereof) to a person other than the Lender or any of its

subsidiaries (including any post-completion arrangements to the extent they could impact on the total consideration received by the Borrower (or any of its affiliates) in respect of that disposal).

Project Jupiter means the disposal of Co-operative Insurance Society Limited by the Borrower to The Royal London Mutual Insurance Society Limited (including any post-completion transfer under Part VII of the Financial Services and Markets Act 2000, and any other post completion arrangements to the extent they could impact on the total consideration received by the Borrower in respect of that disposal).

Receiver means a receiver or receiver and manager or administrative receiver of the whole or any part of the Security Assets.

Scheme means the scheme of arrangement in respect of the LT2 Notes under part 26 of the Companies Act 2006.

Secured Obligations means all present and future liabilities and obligations at any time due, owing or incurred by the Borrower to any Secured Party under the Debt Documents (but, in respect of the 2014 Commitment Agreement, to the extent of the Undertaking to Pay only), whether actual or contingent and whether owed or incurred solely or jointly and as principal or surety or in any other capacity.

Secured Party means the Security Trustee, any Receiver or Delegate or any Creditor.

Security Agreement means the security assignment granted by the Borrower in favour of the Security Trustee on or about the date of this Agreement in respect of the Insurance Sale Proceeds (and any right to receive such proceeds).

Security Assets has the meaning given to that term in the Security Agreement.

Sterling means the lawful currency of the United Kingdom.

Syndicated Facilities means each "Facility" under the Syndicated Facilities Agreement.

Syndicated Facilities Agreement means the up to £1,000,000,000 term loan and revolving loan facilities agreement between, among others, the Lender as company, Co-operative Group Holdings (2011) Limited as original borrower and The Royal Bank of Scotland plc as agent, originally dated 26 July 2012 as amended on 3 April 2013.

Termination Date has the meaning given to that term in the Syndicated Facilities Agreement.

Transaction Security means the security created or evidenced or expressed to be created or evidenced under or pursuant to the Security Agreement.

Undertaking to Pay means the irrevocable undertaking of the Borrower to pay to the Bank a total amount equal to £333,000,000 (including the Initial Proceeds) in cash pursuant to clause 2 (*Subscription and issue of the Initial Group Shares*) of the 2014 Commitment Agreement.

Undertaking to Pay Discharge Date means the date on which all of the obligations (actual or contingent) of the Borrower to the Bank under the Undertaking to Pay have been fully discharged.

Undertaking to Pay Secured Obligations means the Secured Obligations owing to the Bank in connection with the Undertaking to Pay.

Utilisation Request means a notice substantially in the form set out in Schedule 2.

2. Construction

- (a) In this Agreement headings are for reference only, a reference to a Clause or a Schedule is a reference to a clause or a schedule in this Agreement and a reference to a document is to that document as supplemented, novated or amended from time to time (but subject, in the case of the 2014 Commitment Agreement, to no increase in, or extension of, the Undertaking to Pay) and a reference to a time is to London time.
- (b) In this Agreement, a failure to make any payment or an Event of Default is “**continuing**” if it has not been remedied or waived.

SCHEDULE 2

FORM OF UTILISATION REQUEST

To: Co-operative Group Limited as Lender

From: [Co-operative Banking Group Limited as Borrower] / [The Co-operative Bank p.l.c. as the Bank on behalf of Co-operative Banking Group Limited as Borrower]

[Copy to: Co-operative Banking Group Limited as Borrower]

Date: []

**Co-operative Banking Group Limited - £313,000,000 Bridge Loan Facility
dated [●] November 2013 (the Agreement)**

1. We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
2. [We wish to borrow][We wish the Borrower to borrow] a Loan on the following terms:
 - (a) Proposed utilisation date: [] (or, if that is not a Business Day, the next Business Day); and
 - (b) Amount: £ [] or such lesser amount as calculated in accordance with clause 6(c) (*Loans*) of the Agreement.
3. We confirm that each condition precedent under the Agreement which is required to be satisfied on the date of the Loan has been satisfied.
4. We hereby direct that all the proceeds of the Loan are to be credited to the following account of the Bank in satisfaction of the Borrower's obligations under the Undertaking to Pay:

[Insert Bank's account details]
5. This Utilisation Request is irrevocable.

By:

[Co-operative Banking Group Limited] / [The Co-operative Bank p.l.c.]

SCHEDULE 3

THE SECURITY TRUSTEE

1. Security Trustee as trustee

- 1.1 The Security Trustee declares that it holds the Transaction Security and all proceeds of the Transaction Security on trust for the Secured Parties on the terms contained in this Schedule 3.
- 1.2 Each of the Creditors authorises the Security Trustee to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Security Trustee under or in connection with the Debt Documents together with any other incidental rights, powers, authorities and discretions.

2. Instructions

- 2.1 Subject to Clause 3.1 below, the Security Trustee shall exercise or refrain from exercising any right, power, authority or discretion vested in it as Security Trustee in accordance with any instructions given to it by a Creditor and shall not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with such instructions.
- 2.2 The Security Trustee shall be entitled to request instructions from the Creditors as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion and the Security Trustee may refrain from acting unless and until it receives instructions from a Creditor. In the absence of instructions, the Security Trustee may act (or refrain from acting) as it considers in its discretion to be appropriate.
- 2.3 The Security Trustee may refrain from acting in accordance with any instructions of any Creditor until it has received any indemnification and/or security that it may in its discretion require (which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.

3. Enforcement of Transaction Security

- 3.1 The Security Trustee may refrain from enforcing the Transaction Security unless instructed otherwise by a Creditor. In the event of conflicting instructions, the Security Trustee shall act on the instructions of a Creditor who (subject to the terms of the applicable Debt Documents) instructs the Security Trustee to enforce the Transaction Security.
- 3.2 The Bank may only instruct the Security Trustee to enforce the Transaction Security on or after the date falling five Business Days following a failure by the Borrower to make any payment then due and payable under the Undertaking to Pay which is continuing.
- 3.3 The Lender may only instruct the Security Trustee to enforce the Transaction Security on or after the date falling five Business Days following the occurrence of an Event of Default which is continuing.
- 3.4 Prior to the Undertaking to Pay Discharge Date, the Lender shall not be entitled to take any Enforcement Action other than:
 - (a) giving an instruction to the Security Trustee to deliver the notice pursuant to clause 5.2 (Notice) of the Security Agreement; or

- (b) if any Enforcement Action is taken by the Bank, giving of the notice pursuant to Clause 14(a) declaring that all or part of the amounts outstanding under this Agreement are immediately due and payable or payable upon demand.

3.5 If the Transaction Security is being enforced pursuant to this Clause 3, the Security Trustee shall enforce the Transaction Security in accordance with the Security Agreement.

4. Application of proceeds

Any moneys received:

- (a) by the Borrower in respect of the Insurance Sale Proceeds; and
- (b) in respect of Enforcement Proceeds after the Transaction Security has become enforceable,

must be applied in the following order of priority:

- (i) **first:** in discharging all costs and expenses incurred by the Security Trustee, any Receiver or any Delegate under or in connection with the Debt Documents and of all remuneration due to any Receiver or a Delegate under or in connection with the Debt Documents;
- (ii) **second:** in payment or distribution to any person entitled to it towards the discharge of any liabilities referred to in paragraphs (a) to (d) of the definition of Net Insurance Sale Proceeds on a *pro rata* basis, provided that moneys received in respect of the Insurance Sale Proceeds or Enforcement Proceeds relating to Project Iron are only applied to such liabilities described in paragraph (a) to (d) of the definition of Net Insurance Sale Proceeds which are payable in connection with or as a result of Project Iron and moneys received in respect of the Insurance Sale Proceeds or Enforcement Proceeds relating to Project Jupiter are only applied to such liabilities described in paragraph (a) to (d) of the definition of Net Insurance Sale Proceeds which are payable in connection with or as a result of Project Jupiter;
- (iii) **third:** in payment or distribution to the Bank for application towards the discharge of the Undertaking to Pay Secured Obligations;
- (iv) **fourth:** on or after the Undertaking to Pay Discharge Date, in payment or distribution to the Lender for application towards the discharge of the Bridge Loan Secured Obligations;
- (v) **fifth:** in payment or distribution of the surplus (if any) to the Borrower or other person entitled to it.

This Clause is subject to the payment of any claims having priority over the Transaction Security. This Clause does not prejudice the right of any Secured Party to recover any shortfall from the Borrower, provided that such recovery shall rank after the payments required to be applied pursuant to sub-paragraphs (i) to (iv) above. For the avoidance of doubt, the right to recover any shortfall resulting from payments or distributions to any person contemplated by sub-paragraph (ii) above will not be secured by the Transaction Security.

5. Duties of the Security Trustee

5.1 The Security Trustee's duties under the Debt Documents are solely mechanical and administrative in nature.

5.2 The Security Trustee shall have only those duties, obligations and responsibilities expressly specified in the Debt Documents to which it is expressed to be a party (and no others shall be implied).

6. The Borrower

6.1 Nothing in this Schedule 3 constitutes the Security Trustee as an agent, trustee or fiduciary of the Borrower.

6.2 The Security Trustee may generally engage in any kind of business with the Borrower.

7. Rights and discretions

7.1 The Security Trustee may assume that:

- (a) any instruction received by it from a Creditor is duly given in accordance with the terms of the Debt Documents;
- (b) unless it has received notice of revocation, that those instructions have not been revoked; and
- (c) if it receives any instructions to act in relation to the Transaction Security, that all applicable conditions under the Debt Documents for so acting have been satisfied.

7.2 Notwithstanding any other provision of any Debt Document to the contrary, the Security Trustee is not obliged to do or omit to do anything if it would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

8. Exclusion of liability

None of the Security Trustee, any Receiver nor any Delegate will be liable for:

- (a) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Debt Document or the Transaction Security unless directly caused by its gross negligence or wilful misconduct;
- (b) exercising or not exercising any right, power, authority or discretion given to it by, or in connection with, any Debt Document, the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Debt Document or the Transaction Security; or
- (c) any shortfall which arises on the enforcement or realisation of the Transaction Security.

9. Borrower's indemnity to the Security Trustee

The Borrower shall indemnify the Security Trustee and every Receiver and every Delegate, within three Business Days of demand, against any cost, loss or liability incurred by any of them (otherwise than by reason of the relevant Security Trustee's, Receiver's or Delegate's gross negligence or wilful misconduct) in acting as Security Trustee, Receiver or Delegate under, or exercising any authority conferred under, the Debt Documents.

10. Creditors' indemnity to the Security Trustee

Each Creditor shall (in the proportion that the Secured Obligations due to it bear to the aggregate of the Secured Obligations due to all the Creditors for the time being (or, if the Secured Obligations due

to the Creditors are zero, immediately prior to their being reduced to zero)), indemnify the Security Trustee and every Receiver and every Delegate, within three Business Days of demand, against any cost, loss or liability incurred by any of them (otherwise than by reason of the relevant Security Trustee's, Receiver's or Delegate's gross negligence or wilful misconduct) in acting as Security Trustee, Receiver or Delegate under, or exercising any authority conferred under, the Debt Documents.

11. Powers supplemental to Trustee Acts

The rights, powers, authorities and discretions given to the Security Trustee under or in connection with the Debt Documents shall be supplemental to the Trustee Act 1925 and the Trustee Act 2000 and in addition to any which may be vested in the Security Trustee by law or regulation or otherwise.

12. Disapplication of Trustee Acts

Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Trustee in relation to the trusts constituted by this Schedule 3. Where there are any inconsistencies between the Trustee Act 1925 or the Trustee Act 2000 and the provisions of this Schedule 3, the provisions of this Schedule 3 shall, to the extent permitted by law and regulation, prevail and, in the case of any inconsistency with the Trustee Act 2000, the provisions of this Schedule 3 shall constitute a restriction or exclusion for the purposes of that Act.

SIGNATORIES

Lender

SIGNED by)
CO-OPERATIVE GROUP LIMITED)
acting by its attorney)

Borrower

SIGNED by)
CO-OPERATIVE BANKING GROUP LIMITED)
acting by its attorney)

Bank

SIGNED by)
THE CO-OPERATIVE BANK P.L.C.)
acting by its attorney)

Security Trustee

SIGNED by)
CO-OPERATIVE GROUP LIMITED)
acting by its attorney)