

EXECUTION VERSION

MODIFIED SCHEME PURCHASE AGREEMENT

DATED 2013

THE CO-OPERATIVE BANK P.L.C.

and

THE MODIFIED SCHEME PURCHASERS

CONTENTS

Clause	Page
1. Interpretation	2
2. Subscription for and Issue of the Capital Raising Shares.....	2
3. The Conditions	3
4. Terms of issue	4
5. Representations, warranties and undertakings.....	5
6. Premiums	5
7. Assignment	5
8. Service of Process.....	5
9. Further Assurances	6
10. Notices.....	6
11. General	7
12. Governing Law and Jurisdiction	7
 Schedule	
1. Interpretation	8
2. Warranties	13
Part 1 Bank Warranties.....	13
Part 2 Modified scheme Purchaser Warranties	14
3. Modified Purchase commitments	15
4. Deed of Undertaking to the Court	28
Execution Pages.....	30

THIS AGREEMENT is entered into on 2013

BETWEEN:

- (1) **THE CO-OPERATIVE BANK P.L.C.** a company incorporated under the laws of England and Wales with registered number 00990937 and whose registered office is at PO Box 101, 1 Balloon Street, Manchester M60 4EP (the **Bank**); and
- (2) Those parties listed in column 1 of Schedule 3 to this Agreement (each a **Modified Scheme Purchaser**),

each a **Party**, and together the **Parties**.

WHEREAS:

- (A) The Bank is a public company limited by shares.
- (B) Further to discussions between the Bank and the UK Prudential Regulation Authority, the Bank is required to raise £1,500,000,000 Common Equity Tier 1 Capital on or before 31 December 2014 which is to include an issue of New Ordinary Shares in an amount of £125,000,002.50 (the **Capital Raising**).
- (C) On 4 November 2013, the Bank proposed the Scheme as part of a plan to recapitalise the Bank, and several of the Parties (including the Bank) entered into a purchase agreement (the **OPA**) on similar terms to this Agreement.
- (D) By an order of the Court dated 18 November 2013, the Bank was granted leave to convene a meeting of Scheme Creditors in connection with the Scheme and notified the Scheme Creditors accordingly.
- (E) The Bank, at the request of certain Noteholders which include the applicable Modified Scheme Purchasers, intends to seek the approval of the Court for the modifications to the Explanatory Statement and the Scheme as described in the Amended and Restated Explanatory Statement and the Modified Scheme.
- (F) To satisfy the Capital Raising, the Bank proposes to issue 33,333,334 of New Ordinary Shares (the **Capital Raising Shares**) at a price of £ 3.75 per share (the **Offer Price**) to Noteholders pursuant to the Modified Scheme.
- (G) In consideration for the agreement of the Modified Scheme Purchasers to offer to purchase all of the Capital Raising Shares pursuant to clause 2.3 and otherwise on the terms and subject to the conditions set out in this Agreement, the Bank has agreed to pay the premiums contemplated by this Agreement.
- (H) On the terms and subject to the conditions set out in this Agreement, the Bank has agreed to allot and issue the Purchase Shares to each Modified Scheme Purchaser and each Modified Scheme Purchaser has severally agreed (each as to the maximum number of Capital Raising Shares set opposite its name in column 2 of Schedule 3) to subscribe for the Purchase Shares.
- (I) As a result of the proposed modifications to the Scheme, the Parties, among others, have agreed that, upon the satisfaction of the Threshold Condition: (i) the OPA shall terminate pursuant to a termination letter entered into on or about the date hereof; and (ii) this Agreement shall become effective.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 In this Agreement (including the Schedules to it), unless the context otherwise requires, defined terms have the meaning given to them in Schedule 1.

1.2 In this Agreement any reference, express or implied, to an enactment includes:

- (a) that enactment as amended, extended or applied by or under any other enactment (before, on or after execution of this Agreement);
- (b) any enactment which that enactment re-enacts (with or without modification); and
- (c) any subordinate legislation made (before, on or after execution of this Agreement) under that enactment, including (where applicable) that enactment as amended, extended or applied as described in paragraph (a) above, or under any enactment which it re-enacts as described in paragraph (b) above,

and **enactment** includes any rule, regulation or requirement of the UK Listing Authority, London Stock Exchange, Financial Conduct Authority and any other body or authority acting under the authority of any enactment and any legislation in any jurisdiction.

1.3 In this Agreement:

- (a) references to the singular include the plural and vice versa;
- (b) any reference to a time of day is to London time;
- (c) any reference to £ is to Pound Sterling;
- (d) the words “**include**”, “**includes**” and “**including**” shall be construed, in each case, as if they were followed by the words “without limitation”;
- (e) references to persons include bodies corporate, unincorporated associations and partnerships; and
- (f) any provision which is expressed to bind more than one person shall bind them severally, and not jointly or jointly and severally, and each obligation of each of the Parties under this Agreement is several, and not joint and several, unless in each case is it expressly provided otherwise. Breach of this Agreement by one party shall not constitute a breach of this Agreement by any other Party.

1.4 Subclauses 1.1 to 1.4 apply unless the contrary intention appears.

1.5 The headings in this Agreement do not affect its interpretation.

2. SUBSCRIPTION FOR AND ISSUE OF THE CAPITAL RAISING SHARES

2.1 Subject to the satisfaction of the Conditions and in accordance with the provisions of this Agreement, the Bank hereby agrees to allot and issue the Purchase Shares at the Offer Price to the relevant Modified Scheme Purchasers and, subject to the satisfaction of the Conditions and in accordance with the provisions of this Agreement, the relevant Modified Scheme Purchasers hereby agree, severally and not jointly and severally, (each as to the maximum number of Purchase Shares set opposite its name in column 2 of Schedule 3) to subscribe for the Purchase Shares at the Offer Price.

2.2 If, on 11 December 2013 (or, if the Scheme Meeting (or any adjournment thereof) takes place later than 11 December 2013, on that date), the Bank determines that subscriptions from Subscribing Noteholders and Sub-Purchasing Commitments will not result in the issue of all of the Capital Raising Shares, on 11 December (or such later date as may apply in accordance with this clause 2.2) the Bank shall notify each Modified Scheme Purchaser of its number of Purchase Shares.

2.3 If, on 13 December 2013 (or, if the Scheme Meeting (or any adjournment thereof) takes place later than 11 December 2013, on the date which falls two Business Days after that meeting (or after that adjourned meeting, as the case may be)), the Aggregate Capital Raising Subscription Amount held in the Subscription Escrow Account is less than £125,000,002.50, the Bank shall:

(a) on 13 December 2013 (or, if applicable, on such later date as may apply in accordance with the opening paragraph of this clause 2.3) notify each Modified Scheme Purchaser of its updated number of Purchase Shares; and

(b) on the Scheme Settlement Date allot and issue to each Modified Scheme Purchaser (or its Nominee(s) and/or Affiliate(s)) such number of Purchase Shares,

and each Modified Scheme Purchaser undertakes to pay its Under-Subscription Purchase Amount to the Subscription Escrow Account within two Business Days of receipt of the notice set out in clause 2.3(a) above.

2.4 The maximum amount payable by each Modified Scheme Purchaser (including its Designated Recipient) in satisfaction of its obligations pursuant to clause 2.3 shall be equal to the amount set opposite its name in column 3 of Schedule 3 minus the relevant Modified Scheme Purchaser's Subscription Amount (a **Purchase Amount**).

2.5 Notwithstanding the foregoing, if a Modified Scheme Purchaser would be obliged to subscribe for such number of Purchase Shares under this clause 2 as would cause it to hold more than 9.99% of the entire issued share capital of the Bank (the **Threshold Amount**) then, in relation only to such number of Purchase Shares in excess of the Threshold Amount (the **Excess Shares**), the Modified Scheme Purchaser may satisfy its undertaking to subscribe for the relevant Purchase Shares by paying the relevant amount to the Bank and directing that the Excess Shares be allotted and issued to an identified third-party who is not an Affiliate of the relevant Modified Scheme Purchaser.

2.6 Subject to clause 2.5, if the number of Purchase Shares resulting from any calculation made in accordance with this Agreement is not a whole number, the fractional amounts shall be aggregated and rounded up to the nearest whole number. The resulting number of shares shall be allocated to the Modified Scheme Purchaser with the largest Under-Subscription Purchase Amount, with such Under-Subscription Amount, and the notice set out in clause 2.3(a), to be adjusted accordingly with the result that each Modified Scheme Purchaser shall subscribe for a whole number of Purchase Shares.

3. THE CONDITIONS

3.1 The terms of this Agreement shall only become effective upon the satisfaction of the Threshold Condition, other than this sub-clause 3.1 and clauses 1, 10, 11, 12 which are effective immediately.

3.2 The obligation of each Modified Scheme Purchaser under clause 2.1 is subject to the satisfaction, or waiver by a majority by value of the Modified Scheme Purchasers (calculated by reference to the percentages set opposite each Modified Scheme Purchaser's name in column 4 of Schedule 3), of the following Conditions:

(a) the Warranties set out in Part 1 of Schedule 2 being true and accurate in every respect and not misleading on and as of the date of this Agreement and at the Scheme Settlement

Condition Testing Date as though they had been given on that date by reference to the facts and circumstances then subsisting;

- (b) the Bank having complied in all material respects with all its obligations under this Agreement, the Modified Scheme and the Exchange Offers which are required to be performed or satisfied on or prior to the Scheme Settlement Condition Testing Date;
 - (c) the Scheme Settlement Condition having occurred;
 - (d) there shall have been no Material Adverse Event since the date of this Agreement (whether or not foreseeable at the date of this Agreement);
 - (e) the terms of the Transaction Term Sheets shall have not been varied to the material detriment of the Bank in the context of the Recapitalisation Plan, in the reasonable opinion of a majority by value of the Modified Scheme Purchasers (calculated by reference to the percentages set opposite each Modified Scheme Purchaser's name in column 4 of Schedule 3);
 - (f) the Transaction Agreements shall (as applicable) have been adopted, issued or entered into and shall have become and continue to be enforceable against each of the parties thereto in accordance with their terms and have, and continue to have, full force and effect, have not been varied, supplemented, rescinded or terminated (in whole or in part) in a way that is materially detrimental to the Bank in the context of the Recapitalisation Plan; and
 - (g) all shareholder, and other, resolutions have been adopted to redesignate and buy-back the existing ordinary shares of the Bank as contemplated by the Recapitalisation Plan.
- 3.3 The Modified Scheme Purchasers shall, so far as is practicable, no later than two Business Days prior to the Scheme Settlement Condition Testing Date provide written notice to the Bank whether any of the Conditions are expected to be invoked provided that failure to provide such notice shall not result in the forfeit of the right to invoke any of the Conditions.
- 3.4 If the Conditions are not fulfilled on or prior to 31 December 2013 (or such later date as agreed by the Parties in writing), the provisions of this Agreement (other than clause 1, this clause 3.4 and clauses 10 to 12 inclusive) shall automatically cease to have effect (so that no Party shall have any liability under them) except in relation to a previous breach or as otherwise agreed by the Parties in writing and any funds paid into the Subscription Escrow Account by Modified Scheme Purchasers pursuant to clause 2.3 shall be returned to the relevant Modified Scheme Purchasers.

4. TERMS OF ISSUE

- 4.1 The Bank undertakes to each of the Modified Scheme Purchasers that, subject to clause 2.5, it will allot on the Scheme Settlement Date and issue the Purchase Shares required to be allotted and issued pursuant to clause 2.2 at the Offer Price fully paid up in cash on the Scheme Settlement Date, free from all liens, charges and encumbrances and ranking *pari passu* with all other issued New Ordinary Shares to the Modified Scheme Purchaser (or one or more Affiliates of the Modified Scheme Purchaser notified in writing by the Modified Scheme Purchaser to the Bank within two Business Days of receipt of the notice set out in clause 2.3(a)).
- 4.2 The Bank will ensure that, on or before the Business Day prior to the Scheme Effective Date, the Board (or a duly authorised committee thereof) passes appropriate resolutions and takes all other necessary steps to allot, subject only to satisfaction of the Conditions and in accordance with the provisions of this Agreement, the Capital Raising Shares at the Offer Price fully paid upon the Scheme Settlement Date.

5. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

- 5.1 The Bank hereby warrants and undertakes to each Modified Scheme Purchaser in the terms of the Warranties set out in Part 1 of Schedule 2. The Bank acknowledges that each Modified Scheme Purchaser is entering into this Agreement in reliance on such warranties and undertakings and each such warranty and undertaking shall not be limited by reference (express or implied) to the terms of any other warranty or undertaking.
- 5.2 Each Modified Scheme Purchaser hereby represents, warrants and undertakes to the Bank in the terms of the Warranties set out in Part 2 of Schedule 2. Each of the Modified Scheme Purchasers acknowledges that the Bank is entering into this Agreement in reliance on such representations, warranties and undertakings and each such representation, warranty and undertaking shall not be limited by reference (express or implied) to the terms of any other representation, warranty or undertaking.
- 5.3 The representations, warranties and undertakings contained in this Agreement shall remain in full force and effect after and notwithstanding completion of the subscription of the Purchase Shares, provided however that a Modified Scheme Purchaser's remedy for any breach thereof shall be limited to a claim for damages if and to the extent that the Modified Scheme Purchaser asserts a claim for such a breach after the Modified Scheme Purchaser has made a payment pursuant to clause 2.3 (but subject always to clause 3.4).
- 5.4 Following issuance of the Purchase Shares pursuant to this Agreement, and if so requested by a Modified Scheme Purchaser, the Bank shall deliver to the relevant Modified Scheme Purchaser forthwith a share certificate in respect of the relevant Purchase Shares.
- 5.5 The Bank shall forthwith enter the name of the relevant Modified Scheme Purchaser in the Bank's register of members in respect of the relevant Purchase Shares.
- 5.6 Each Modified Scheme Purchaser undertakes that, if requested to do so by the Bank in connection with the Modified Scheme, it will enter into and deliver to the Court a deed in the form set out in Schedule 4.

6. PREMIUMS

- 6.1 Subject to the satisfaction of the Conditions and this Agreement not having been terminated in accordance with its terms, the Bank undertakes to pay to each Modified Scheme Purchaser who has discharged its obligation to subscribe for Purchase Shares under this Agreement, a premium equal to the Aggregate Premium multiplied by the percentage set opposite the relevant Modified Scheme Purchaser's name in column 4 of Schedule 3.

7. ASSIGNMENT

Except in respect of assignment to an Affiliate, the benefit of this Agreement may not be assigned or transferred (whether by way of security or otherwise) in whole or in part by any Party without the prior written consent of every other Party.

8. SERVICE OF PROCESS

- 8.1 Each Modified Scheme Purchaser who does not have an address based in England and Wales but who has an address of an Affiliate based in England and Wales under its name in column 1 of Schedule 3 irrevocably appoints such Affiliate as its agent under this Agreement for service of process in any proceedings before the English court in connection with this Agreement.

- 8.2 Each Modified Scheme Purchaser who does not have an address based in England and Wales and who does not have an address of an Affiliate based in England and Wales under its name in column 1 of Schedule 3 undertakes to irrevocably appoint, within six Business Days of the date of this Agreement, an agent in London, England for service of process in any proceedings before the English court in connection with this Agreement and, on making such appointment, to notify the Bank immediately of the name and address of such appointed agent by email in accordance with clause 10.

9. FURTHER ASSURANCES

The Modified Scheme Purchasers must promptly execute and do or otherwise procure to be executed and done, all documents, acts or things as the Bank may reasonably require to give effect to the [REDACTED]

10. NOTICES

- 10.1 Any notice or other communication to be given under this Agreement must be in writing and must be delivered or sent to the following addresses and numbers (with a copy to be sent by email) to the party to whom it is to be given as follows:

- (a) to the Bank at:

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

Marked for the attention of: the Company Secretary

Fax: 0843 751 4493

Email: kathrine.bancroft@co-operative.coop

- (b) to the Modified Scheme Purchasers using the contact details set out in column 1 of Schedule 3

- (c) or at any such other address of which it shall have given notice for this purpose to the other Parties under this clause 10. Any notice or other document sent by post or airmail shall be sent by prepaid first class recorded delivery post (if within the United Kingdom) or by prepaid airmail (if elsewhere) and a scanned copy of such notice or other document shall be sent on the same date that it is sent by post or airmail to the email address notified

- 10.2 Any notice or other communication shall be deemed to have been given:

- (a) if delivered, at the time of delivery;
- (b) if sent by fax, when confirmation of its transmission has been recorded by the sender's fax machine (save that if the transmission occurs after 6.00 pm on a Business Day or on a day which is not a Business Day the notice shall be deemed to be served at 9.00 am on the next Business Day (after transmission));
- (c) if sent by email, on the day of sending (save that if the transmission occurs after 6.00 pm on a Business Day or on a day which is not a Business Day the notice shall be deemed to be served at 9.00 am on the next Business Day (after transmission)); or
- (d) if posted, at 10.00 a.m. on the second Business Day after it was put into post if sent within the United Kingdom, or at 10.00 am (local time at the place of destination) on the fifth Business Day after it was put into the post, if sent by airmail.

- 10.3 In proving the serving of a notice or document, it shall be sufficient to prove that delivery was made or that the envelope containing the notice or document was properly addressed and posted (either by prepaid first class recorded delivery post or by prepaid airmail, as the case may be) or that the email was properly addressed and sent, as the case may be.
- 10.4 This clause 10 shall not apply in relation to the service of any claim form, notice, order, judgment or other document relating to or in connection with any proceedings, suit or action arising out of or in connection with this Agreement.

11. GENERAL

- 11.1 This Agreement and the documents referred to in it contain the whole agreement between the parties relating to the arrangements contemplated by it and supersede all previous agreements between the Parties relating to these arrangements.
- 11.2 This Agreement may be executed in any number of counterparts all of which, taken together, shall constitute one and the same Agreement and any party (including any duly authorised representative of a Party) may enter into this Agreement by executing a counterpart. Facsimile signatures and delivery of a counterpart by email attachment shall be valid and binding to the same extent as the original signatures.
- 11.3 This Agreement may not be modified, amended or supplemented except in writing signed by each of the Parties.
- 11.4 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
- 11.5 The provisions contained in each clause and sub-clause of this Agreement shall be enforceable independently of each of the others and their validity shall not be affected if any of the others are invalid.

12. GOVERNING LAW AND JURISDICTION

- 12.1 This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by English law.
- 12.2 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with this Agreement) and the parties submit to the exclusive jurisdiction of the English courts.

AS WITNESS the hands of the Parties (or their duly authorised representatives) on the date which first appears on page 1.

SCHEDULE 1

INTERPRETATION

1. In this agreement:

2014 Commitment Agreement means the executed commitment agreement between the Bank, Co-Operative Banking Group Limited and Co-operative Group Limited dated on 4 November 2013;

Affiliate means, with respect to any person, any other person which, directly or indirectly, acting together with one or more other persons, Controls, is under common Control with, or is Controlled by, such specified person, in each case from time to time;

Aggregate Capital Raising Subscription Amount means the aggregate amount received into the Subscription Escrow Account by 13 December 2013 (or, if applicable, on such later date as may apply in accordance with the opening paragraph of clause 2.3) in consideration for the subscription of Capital Raising Shares by the Subscribing Noteholders plus the aggregate amount received into the Subscription Escrow Account by 13 December 2013 (or, if applicable, on such later date as may apply in accordance with the opening paragraph of clause 2.3) in consideration for the subscription of Capital Raising Shares by the Sub-Purchasers;

Aggregate Premium means an amount equal to 4 per cent. of the number of Capital Raising Shares multiplied by the Offer Price minus the 2 per cent. of the aggregate Sub-Purchasing Commitments (excluding from such aggregate amount the Sub-Purchasing Commitment of any Sub-Purchaser who fails to deposit funds into the Subscription Escrow Account by 13 December 2013 (or, if applicable, on such later date as may apply in accordance with the opening paragraph of clause 2.3) in satisfaction of a notification from the Bank that some or all of the relevant Sub-Purchasing Commitment will be utilised);

Aggregate Purchase Amount means the sum of all the Purchase Amounts which shall not exceed £125,000,002.50;

Amended and Restated Explanatory Statement means the draft explanatory statement prepared in accordance with section 897 of the Companies Act in respect of the Modified Scheme and sent to the Modified Scheme Purchaser on or before the date of this Agreement labelled "Amended and Restated Explanatory Statement for the purposes of the Modified Scheme Purchase Agreement";

Articles of Association means the memorandum of association and the articles of association of the Bank as subsequently amended from time to time;

Board means the directors of the Bank;

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

Capital Raising has the meaning given to it in Recital (B);

Capital Raising Shares has the meaning given to it in Recital (C);

Capital Rules means the applicable rules of the Prudential Regulation Authority (as amended or replaced from time to time) and any other rules or regulations relating to the capital to be held by the Bank from time to time;

Co-operative Group means Co-operative Group Limited and any person which is from time to time a subsidiary or subsidiary undertaking of Co-operative Group Limited, a parent undertaking of Co-operative Group Limited and any other subsidiary or subsidiary undertaking of the parent undertaking (other than the Bank and its subsidiaries and subsidiary undertakings);

Common Equity Tier 1 Capital at any time, has the meaning ascribed thereto (or to any equivalent term) at such time in the Capital Rules;

Condition means each of the matters set out in clause 3.2;

Control and **Controlled** means the ownership or control, directly or indirectly, of a majority stake, or the right to exercise (directly or indirectly) in any given company or entity the majority of the voting rights at a general meeting of the relevant undertaking on all, or substantially all, matters, or the right to appoint or remove the majority of the members of the management body of such company or entity or the right to direct and control the investment decisions of such company or entity, whether pursuant to the applicable laws, its constitutional documents or agreements reached with third parties;

Court means the High Court of Justice of England and Wales;



Designated Recipient has the meaning given to it in the Amended and Restated Explanatory Statement;

Excess Shares has the meaning given to it in clause 2.5;

Exchange Offers means exchange offers by the Bank and Co-operative Group (as applicable) to holders of the Bank's Preference Shares and Perpetual Securities for certain new securities to be issued by Bank and the Co-operative Group (as applicable);

Explanatory Statement means the explanatory statement dated 18 November 2013 prepared in accordance with section 897 of the Companies Act in respect of the Scheme and made available by the Bank on its website (www.co-operative.coop/bondholders);

Group means Co-operative Group Limited;

Intra-Group Loan Agreement means the intra-group loan agreement to be entered into by Group and Co-operative Banking Group Limited pursuant to the 2014 Commitment Agreement;

Launch RNS means an announcement from the Bank in connection with the proposed restructuring distributed via the Regulatory News Service operated by the London Stock Exchange on 4 November 2013;

London Stock Exchange means London Stock Exchange plc;

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);

Material Adverse Event means: (i) any change in the condition (financial (including with respect to pension liabilities or obligations), operational (including with respect to information technology systems and operations), legal or otherwise) or the earnings, business affairs, solvency, risk-weighted assets or capital adequacy, credit rating, or prospects of the Bank, whether or not arising in the ordinary course of business (and whether or not such change is attributable to a fact or circumstance arising after the date of this agreement or to a re-assessment of, or a development arising from, a fact or circumstance which pre-dated this agreement); or (ii) the commencement of any litigation, arbitration or any other legal proceeding (including any formal regulatory investigation) which, in either case, is likely, in the reasonable opinion of a majority by value of the Modified Scheme Purchasers (calculated by reference to the percentages set opposite the each Modified Scheme Purchaser's name in column 4 of Schedule 3), to (x) have a material adverse effect upon the Bank's current regulatory capital position or future compliance with its minimum regulatory capital requirements from time to time or solvency or (y) enable powers under the Banking Act 2009 to be invoked;

Modified Lock-Up Agreements means the executed agreements dated on or before the date of this Agreement between the Bank and the Modified Scheme Purchasers in connection with the voting of LT2 Notes in connection with the Modified Scheme;

Modified Scheme means the Scheme as amended, modified and described in the Amended and Restated Explanatory Statement;

New Articles of Association means the articles of association to be adopted by the Bank in connection with the Recapitalisation Plan and labelled "New Articles of Association for the purposes of the Modified Scheme Purchase Agreement";

New Ordinary Shares means the ordinary shares of £0.05 each in the capital of the Bank to be issued in connection with the Modified Scheme;

Noteholder means the holder of an LT2 Note;

Offer Price has the meaning ascribed to it in Recital (C);

Offering Memorandum means the consent and exchange offer memorandum dated 4 November 2013 published by the Bank;

Pension Liability Undertaking means the execution version of the pension liability undertaking;

Perpetual Securities means the £100 million 13% perpetual subordinated notes and the £200 million 5.5555% perpetual subordinated notes issued by the Bank;

Practice Statement Letter means the Practice Statement Letter dated 4 November 2013 from the Bank addressed to the Scheme Creditors;

Preference Shares means the £60 million 9.25% non-cumulative irredeemable preference shares;

Pro-Rata Purchase Obligation means the percentage calculated by (i) dividing the relevant Purchase Amount by the Aggregate Purchase Amount and (ii) multiplying the result by 100;

Purchase Amount has the meaning given to it in clause 2.4;

Purchase Shares means in respect of each Modified Scheme Purchaser the Pro-Rata Purchase Obligation of the Under-Subscription Shares;

Recapitalisation Plan means the recapitalisation plan comprising the Exchange Offers and the Modified Scheme;

Relationship Agreement means the executed relationship agreement between the Bank, Co-operative Group and Co-operative Banking Group Limited dated on 4 November 2013;

Scheme means the scheme of arrangement under Part 26 of the Companies Act to implement the restructuring of the LT2 Notes described in the Explanatory Statement;

Scheme Creditors means the creditors of the Bank whose claims against the Bank are the subject of the Modified Scheme;

Scheme Effective Date means the date on which an office copy of the order of the Court sanctioning the Modified Scheme has been delivered to or acknowledged by the Registrar of Companies;

Scheme Meeting means the meeting of the Scheme Creditors to vote on the Modified Scheme convened pursuant to an order of the Court (and any adjournment of such meeting);

Scheme Settlement Condition has the meaning given to it in the Modified Scheme;

Scheme Settlement Condition Testing Date means the latest to occur of the Scheme Effective Date and the date on which the resolutions proposed at the meetings to be convened in respect of the Exchange Offers have been voted on and each such meeting has been concluded;

Scheme Settlement Date means the date on which the consideration under the Modified Scheme is issued;

Subscribing Noteholder has the meaning given to it in the Modified Scheme;

Sub-Purchaser means a Noteholder who elects to sub-purchase the issue of Capital Raising Shares;

Sub-Purchasing Commitment means an amount equal to the Offer Price multiplied by the number of Capital Raising Shares notified to a Sub-Purchaser by the Bank as its Sub-Purchasing Commitment;

Subscription Amount means an amount equal to the Offer Price multiplied by the number of Capital Raising Shares which a Modified Scheme Purchaser is entitled to receive and has paid for pursuant to the 'Additional New Ordinary Shares Subscription' within the Modified Scheme, whether as a Subscribing Noteholder or a Sub-Purchaser;

Subscription Escrow Account means an account established for the purpose of holding the consideration payable in respect of the Capital Raising Shares;

Threshold Amount has the meaning given to it in clause 2.5;

Threshold Condition means the Court approving the modifications to the Explanatory Statement and the Scheme set out in the Amended and Restated Explanatory Statement and the Modified Scheme;

Transaction Agreements means:

- (a) the Offering Memorandum;

- (b) the Amended and Restated Explanatory Statement (including the Modified Scheme);
- (c) the prospectus dated 4 November 2013 in relation to the 11 per cent. Final Repayment Subordinated Notes due 2025 and Instalment Repayment (Amortising) Subordinated Notes due 2025 to be issued by Group;
- (d) the prospectus dated 4 November 2013 in relation to the 11 per cent. Subordinated Notes due 2023 to be issued by the Bank and related trust deed;
- (e) the Practice Statement Letter;
- (f) the New Articles of Association;
- (g) the Relationship Agreement;
- (h) the 2014 Commitment Agreement (and any confirmation relating thereto);
- (i) the Launch RNS;
- (j) the Modified Lock-Up Agreements;
- (k) the Pension Liability Undertaking; and
- (l) the Intra-Group Loan Agreement,

in each case in the form made publically available by the Bank or, as applicable, sent by Bank to, and agreed to by, each Modified Scheme Purchaser and/or its legal advisers on or before the date of this Agreement.

Transaction Term Sheets means the 'Separation Principles', being the high-level principles which will govern the parties' negotiation of the terms and conditions of the operational separation of Group and Bank, and the 'Co-existence Principles', being the set of principles to regulate the use of the CO-OP and CO-OPERATIVE branding by Group and Bank in each case in the form sent by Bank to, and agreed to by, each Modified Scheme Purchaser and/or its legal advisers on or before the date of this Agreement;

Under-Subscription Purchase Amount means a Modified Scheme Purchaser's Pro-Rata Purchase Obligation of the difference between £125,000,002.50 and the Aggregate Capital Raising Subscription Amount;

Under-Subscription Shares means the aggregate Capital Raising Shares minus the number of Capital Raising Shares in respect of which funds have been deposited in the Subscription Escrow Account by 13 December 2013 (or, if applicable, on such later date as may apply in accordance with the opening paragraph of clause 2.3) by Subscribing Noteholders and Sub-Purchasers;

Warranties means the warranties set out in clause 5 and Schedule 2 and a **Warranty** means any one of them.

SCHEDULE 2

WARRANTIES

PART 1

BANK WARRANTIES

Corporate organisation and business

1. The Bank is a company with limited liability, duly incorporated and validly existing as a public limited company under the laws of England and Wales, with full power and authority under its Articles of Association and otherwise to enter into and perform its obligations pursuant to this Agreement.
2. The allotment and issue of the Capital Raising Shares, and any New Ordinary Shares and other securities pursuant to the Recapitalisation Plan and the execution, delivery and performance by the Bank of this Agreement has been or will be duly authorised, executed and delivered by the Bank and this Agreement constitutes valid and legally binding obligations enforceable (subject to laws relating to creditor remedies) against the Bank in accordance with its terms.
3. Neither the execution (and in the case of a deed, delivery) by the Bank of this Agreement nor the performance by the Bank of any of its obligations under this Agreement will violate or conflict with:
 - (a) a provision in the Articles of Association; or
 - (b) an order or judgement of a court, tribunal or governmental or regulatory body (of the United Kingdom or elsewhere) which is binding on the Bank.

Share capital

4. The Capital Raising Shares will, upon allotment, be free from all liens, charges and encumbrances and will rank *pari passu* in all respects with the existing issued shares in the issued share capital of the Bank.

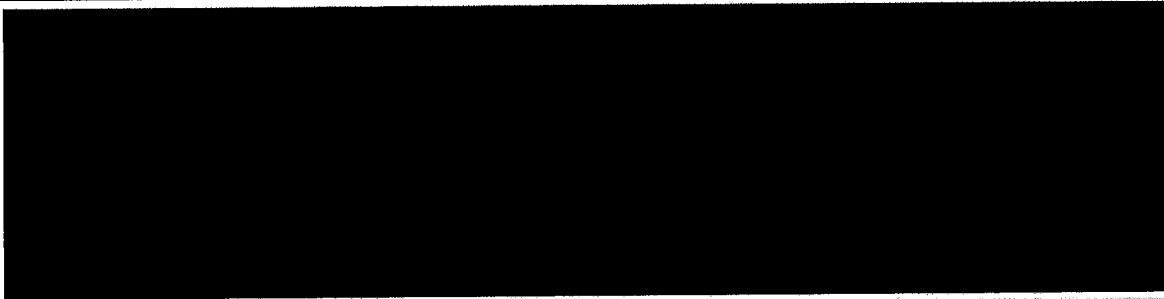
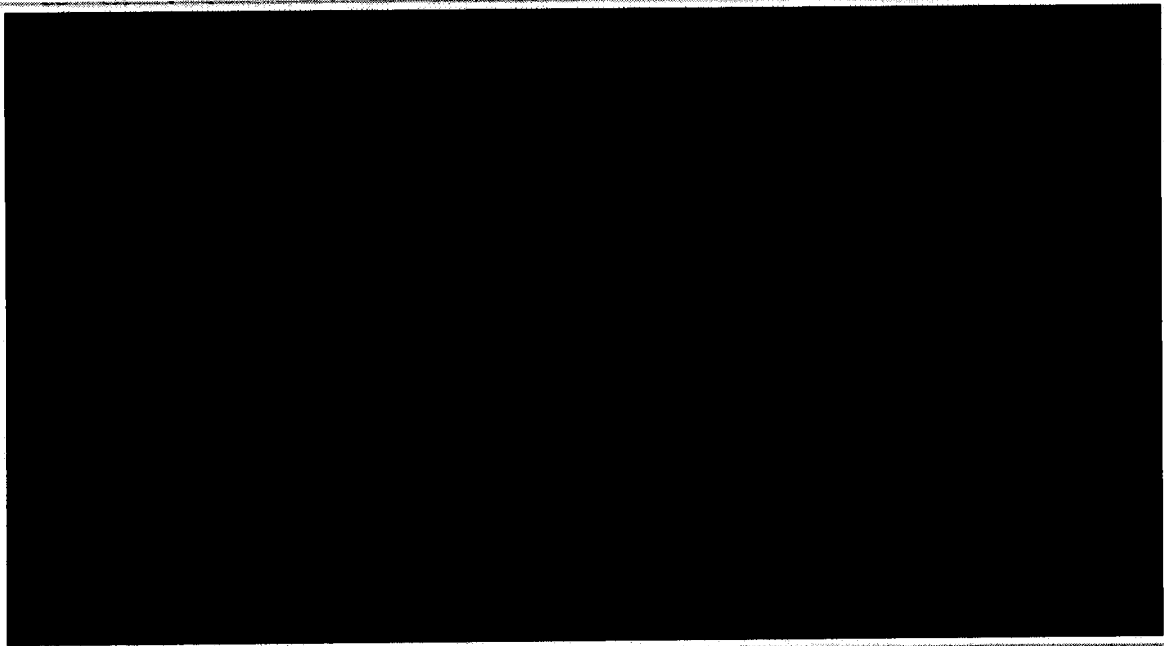
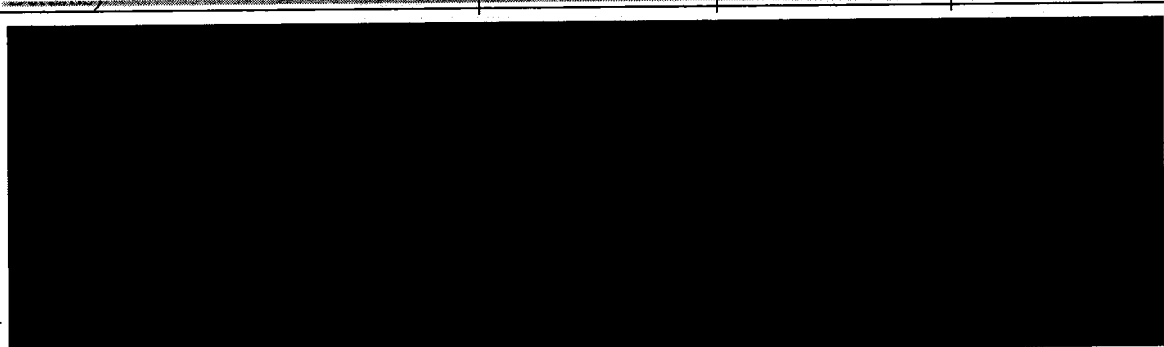
PART 2

MODIFIED SCHEME PURCHASER WARRANTIES

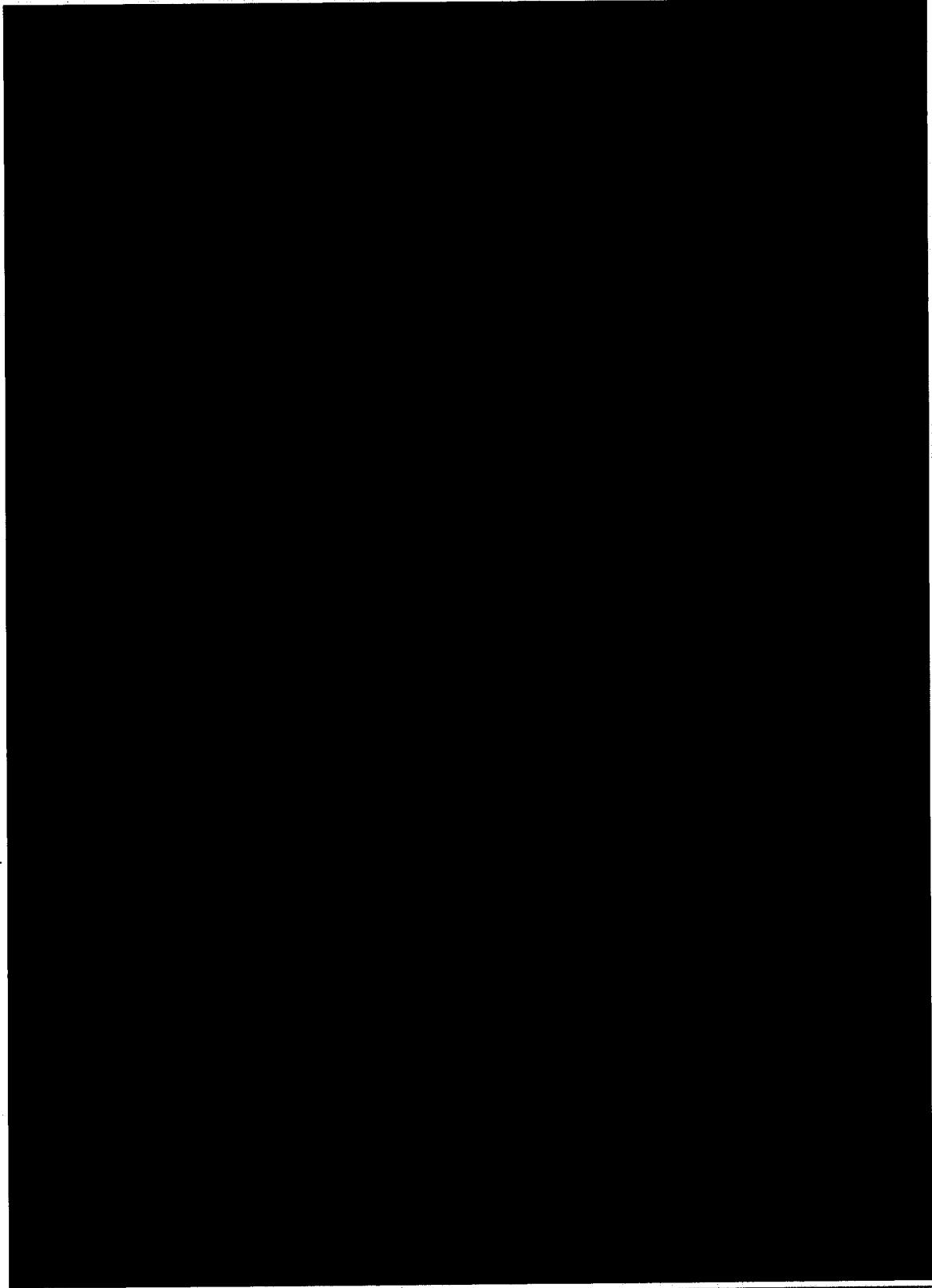
1. The Modified Scheme Purchaser is duly formed and validly existing under the laws of its place of formation and has the corporate power to own its own property and assets and to carry on its business as it is now being conducted.
2. The Modified Scheme Purchaser has corporate power to enter into the obligations contained in this Agreement and has taken all necessary action to authorise the execution and delivery of this Agreement and the performance hereof and this Agreement constitutes valid and legally binding obligations enforceable (subject to laws relating to creditor remedies) against the Modified Scheme Purchaser in accordance with its terms.
3. Neither the execution (and in the case of a deed, delivery) by the Modified Scheme Purchaser of this Agreement nor the performance by the Modified Scheme Purchaser of any of its obligations under this Agreement will violate or conflict with:
 - (a) a provision in its constitution;
 - (b) a provision in an agreement or instrument which is binding on the Modified Scheme Purchaser; or
 - (c) an order or judgement of a court, tribunal or governmental or regulatory body (of the United Kingdom or elsewhere) which is binding on the Modified Scheme Purchaser.
4. The Modified Scheme Purchaser has, or will have, the funds available to it to pay the subscription amount as required under clause 2 of this Agreement in respect of the Capital Raising Shares.

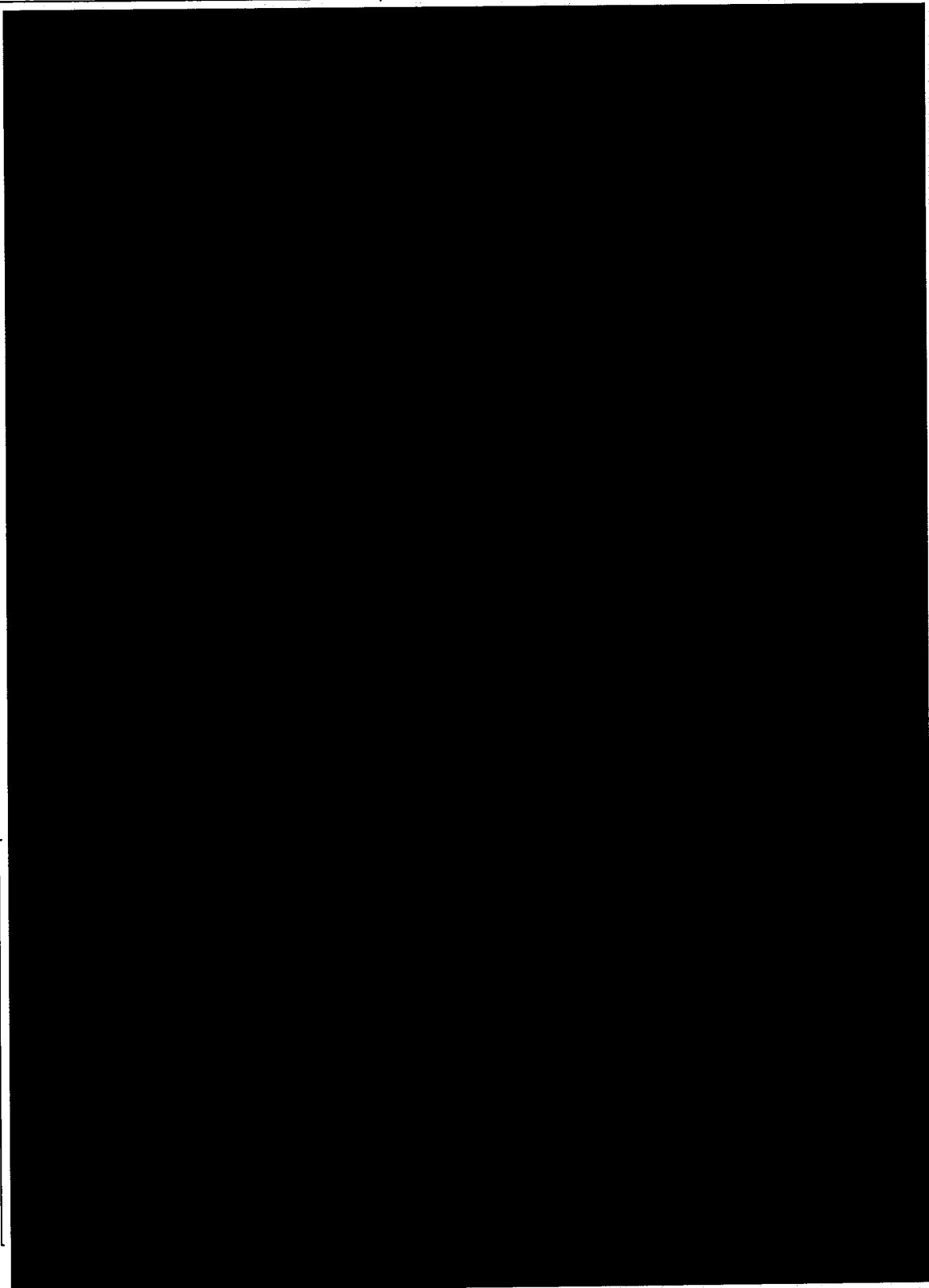
SCHEDULE 3

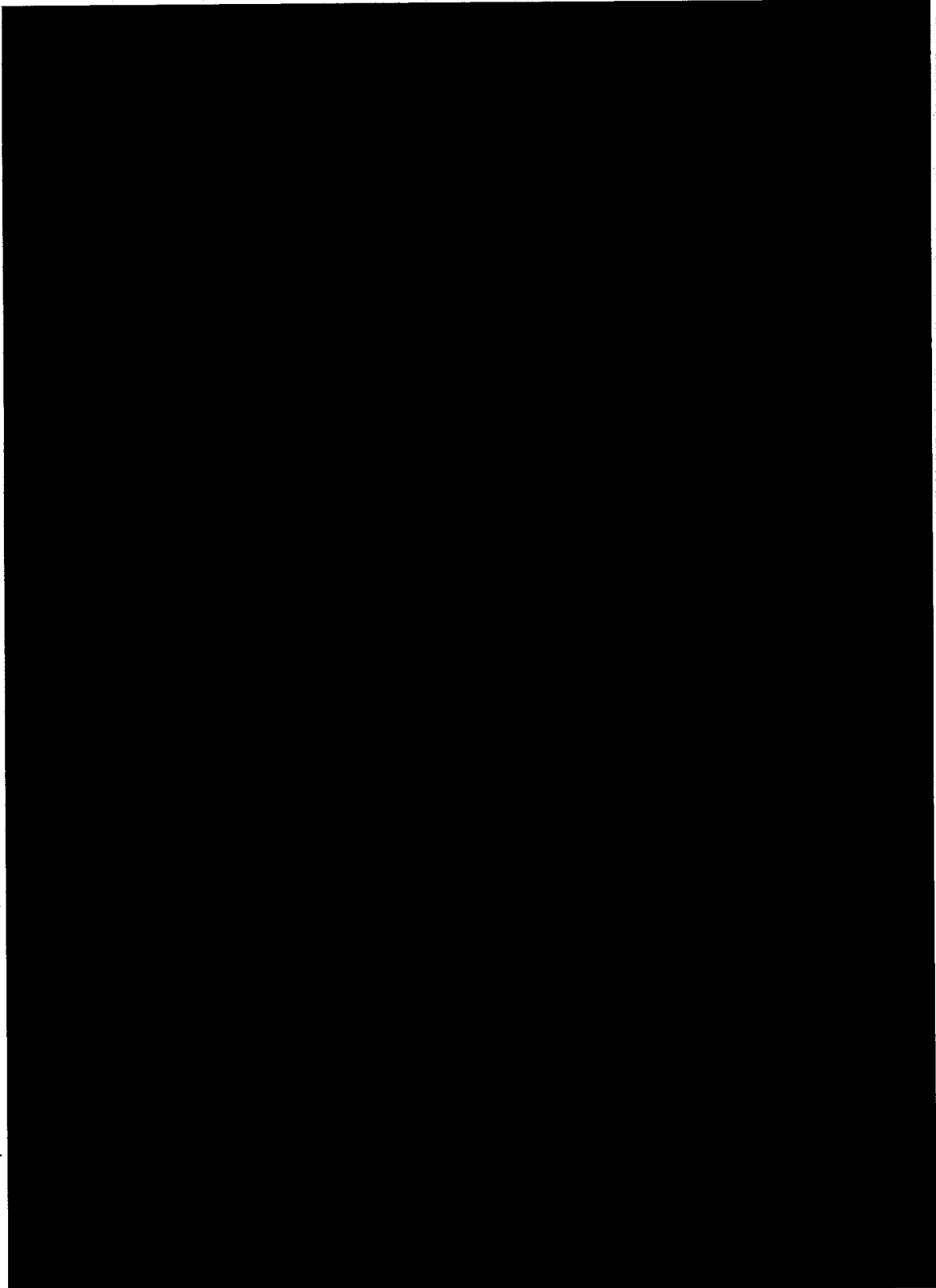
MODIFIED PURCHASE COMMITMENTS

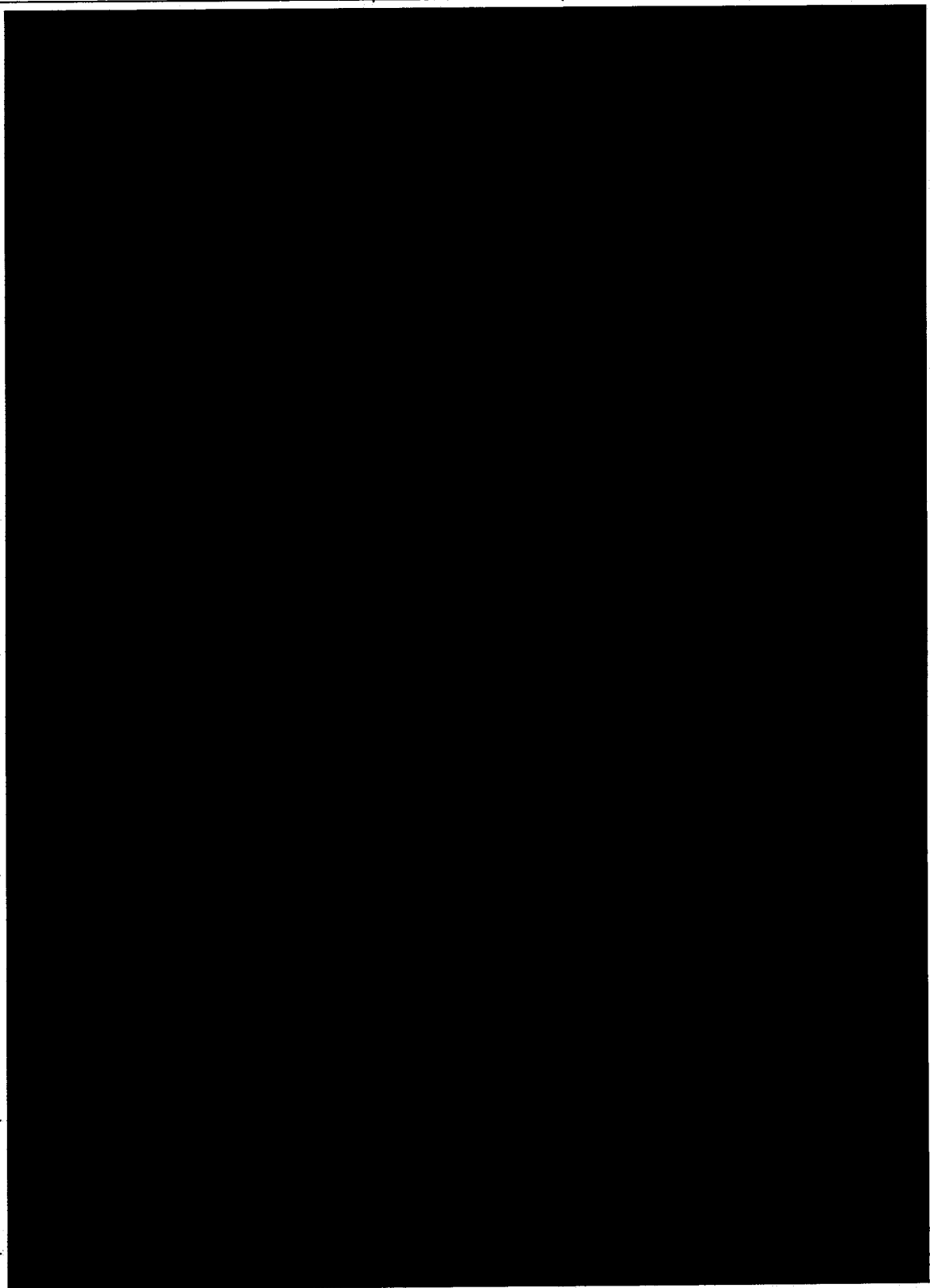
(1) Name, address and contact details of Modified Scheme Purchaser	(2) Maximum number of Purchase Shares	(3) Maximum Purchase Amount (£)	(4) Purchase Amount proportions (%)
			
			
			

(1) Name, address and contact details of Modified Scheme Purchaser	(2) Maximum number of Purchase Shares	(3) Maximum Purchase Amount (£)	(4) Purchase Amount proportions (%)

(1) Name, address and contact details of Modified Scheme Purchaser	(2) Maximum number of Purchase Shares	(3) Maximum Purchase Amount (£)	(4) Purchase Amount proportions (%)
			

(1) Name, address and contact details of Modified Scheme Purchaser	(2) Maximum number of Purchase Shares	(3) Maximum Purchase Amount (£)	(4) Purchase Amount proportions (%)
			

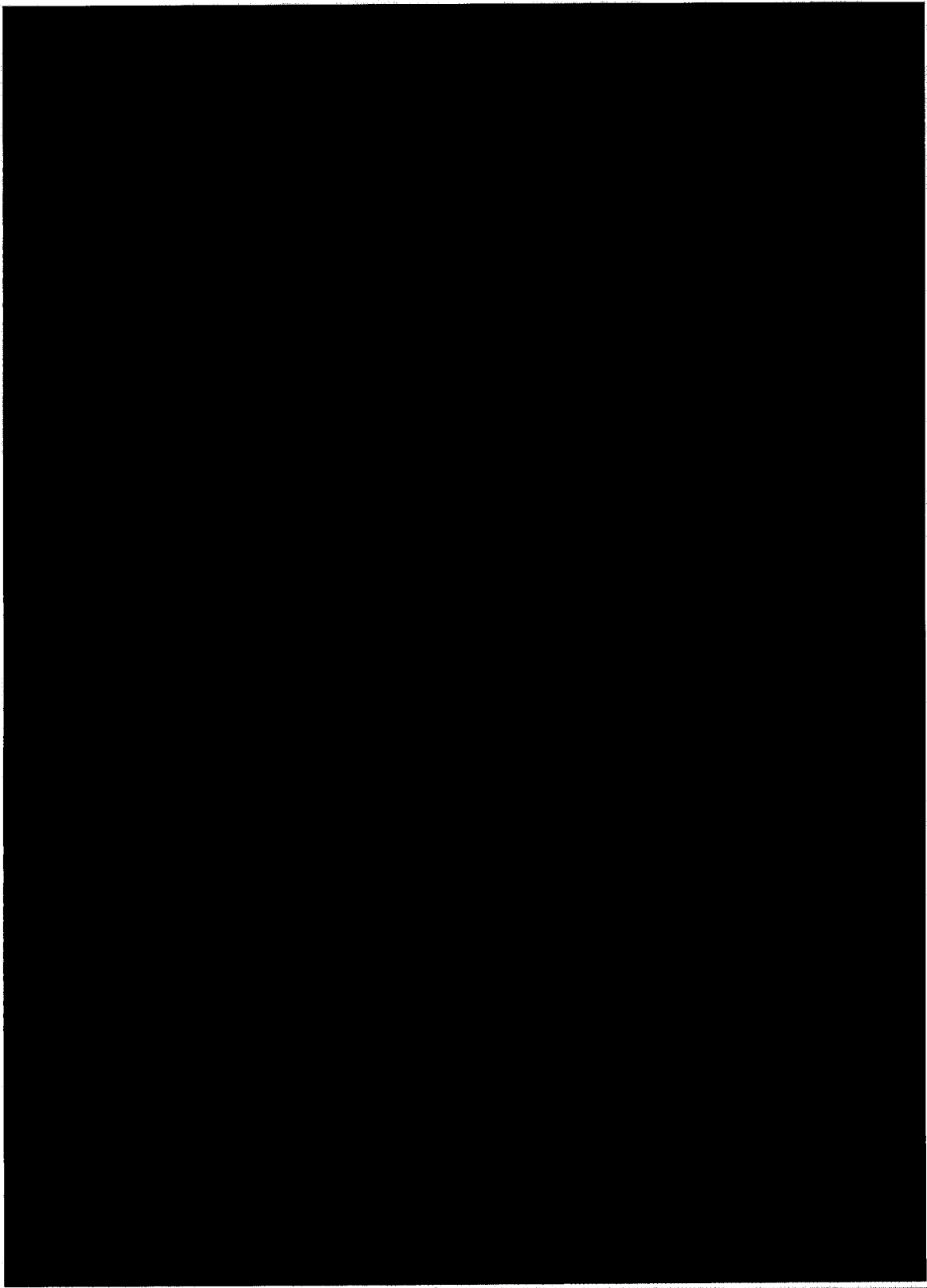
(1) Name, address and contact details of Modified Scheme Purchaser	(2) Maximum number of Purchase Shares	(3) Maximum Purchase Amount (£)	(4) Purchase Amount proportions (%)
			

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(1) Name, address and contact details of Modified Scheme Purchaser	(2) Maximum number of Purchase Shares	(3) Maximum Purchase Amount (£)	(4) Purchase Amount proportions (%)
Total	33,333,334	125,000,002.50	100

SCHEDULE 4
DEED OF UNDERTAKING TO THE COURT

To: The Co-operative Bank P.L.C. (the **Company**)
1 Balloon Street
Manchester M60 4EP

From: *[Insert legal names of Modified Scheme Purchasers]*

(the **Modified Scheme Purchasers**) each in its capacity as a modified scheme purchaser under and as defined in the Modified Scheme Purchase Agreement (as defined below)

[Insert address of Modified Scheme Purchasers]

[●] 2013

Dear Sirs

Deed of Undertaking to the Court

1. We refer to:

- (a) the proposed restructuring of:
 - (i) the Floating Rate Callable Step-up Dated Subordinated Notes due 2016;
 - (ii) the 5.875% Subordinated Callable Notes due 2019;
 - (iii) the 9.25% Subordinated Notes due 28 April 2021;
 - (iv) the Fixed/Floating Rate Subordinated Notes due November 2021;
 - (v) the 7.875% Subordinated Notes due 19 December 2022;
 - (vi) the 5.75% Dated Callable Step-up Subordinated Notes due 2024; and
 - (vii) the 5.875% Subordinated Notes due 2033,

to be implemented by way of a scheme of arrangement pursuant to Part 26 of the Companies Act 2006 (the **Scheme**), as modified, amended and described in the Modified Explanatory Statement (as defined below) (the **Modified Scheme**);

- (b) the description of the proposed restructuring set out in more detail in the consent and exchange offer memorandum dated 4 November 2013 published by the Company (the **Offer Memorandum**), as modified and amended in accordance with the Modified Scheme;
- (c) the draft modified explanatory statement prepared in accordance with section 897 of the Companies Act 2006 in respect of the Modified Scheme and sent to the Modified Scheme Purchasers on or before the date of the Modified Scheme Purchase Agreement and labelled "Modified Explanatory Statement for the purposes of the Modified Scheme Purchase Agreement" (the **Modified Explanatory Statement**); and

- (d) the share subscription agreement dated [●] 2013 between, amongst others, the Company and the Modified Scheme Purchasers in connection with the Modified Scheme (the **Modified Scheme Purchase Agreement**).

Capitalised terms used but not defined in this Deed shall have the meaning given to such terms in the Offer Memorandum.

2. Subject to the High Court of Justice of England and Wales (the **Court**) approving the modifications to the Explanatory Statement and the Scheme set out in the Modified Explanatory Statement and the Modified Scheme, we hereby irrevocably undertake in favour of the Company and the Court in our capacity as a modified scheme purchaser under and pursuant to the Modified Scheme Purchase Agreement to perform our respective obligations under the Modified Scheme Purchase Agreement.
3. If the Court approves the modifications to the Explanatory Statement and the Scheme set out in the Modified Explanatory Statement and the Modified Scheme, this Deed shall supersede and replace the previous deed of undertaking to the Court granted by any Modified Scheme Purchaser in connection with the Scheme on or around 14 November 2013.
4. This Deed can be disclosed to any person in connection with the Modified Scheme.
5. This Deed 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 this Deed.
6. This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

This Deed has been entered into and delivered as a deed on the date stated at the beginning of this Deed.

Yours faithfully

EXECUTION PAGES

CO-OPERATIVE BANK P.L.C.

Signed by _____

The Co-operative Bank P.L.C.

Acting by its attorney

MODIFIED SCHEME PURCHASER

Print name of the Modified Scheme Purchaser

By: _____
If an entity, signature of authorised person
signing on behalf of the Modified Scheme
Purchaser

By: _____
If an entity, signature of authorised person signing
on behalf of the Modified Scheme Purchaser

Name: _____
Print name of authorised person

Name: _____
Print name of authorised person

Title: _____
Title of authorised person

Title: _____
Title of authorised person