

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
THE HONOURABLE MR JUSTICE SNOWDEN

Claim No. CR-2017-005446

Thursday the 24th day of August 2017



IN THE MATTER OF THE CO-OPERATIVE BANK P.L.C.

- and -

IN THE MATTER OF THE COMPANIES ACT 2006

ORDER

UPON THE ADJOURNED HEARING OF THE CLAIM dated 24 July 2017 of the above named The Co-operative Bank p.l.c. (the "**Company**") whose registered office is situated at PO BOX 101, 1 Balloon Street, Manchester, M60 4EP and whose registered number is 00990937

AND UPON HEARING Antony Zacaroli QC and Andrew Thornton for the Company

AND UPON READING the Part 8 Claim Form and the evidence

AND UPON each of Balloon Street Holdings Limited and Lucid Issuer Services Limited undertaking to be bound by the Members' Scheme hereinafter sanctioned and to execute and do or procure to be executed and done all such documents, acts or things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to the said Members' Scheme

THE COURT HEREBY SANCTIONS the Members' Scheme set forth in the Schedule hereto

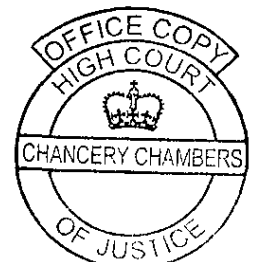
AND IT IS HEREBY ORDERED THAT this Order be produced to the Registrar of Companies and that a copy be delivered to him and the Registrar of Companies shall register this Order

Service of this order

The Court has provided a sealed copy of this Order to the serving party:

Clifford Chance LLP at 10 Upper Bank Street, London E14 5JJ

Tel: 020 7006 1000 - Fax: 020 7006 5555 - DX: 149120 Canary Wharf



THE MEMBERS' SCHEME

THE SCHEME OF ARRANGEMENT

CR-2017-005446

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

COMPANIES COURT

IN THE MATTER OF THE CO-OPERATIVE BANK P.L.C.

and

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

(under Part 26 of the Companies Act 2006)

between

THE CO-OPERATIVE BANK P.L.C.

and

THE SCHEME SHAREHOLDERS

(as hereinafter defined)

PRELIMINARY

In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

"2023 Notes"	the Bank's £206,000,000 11% Subordinated Notes due 2023 (ISIN: GB00BFXW0853)
"2025 Notes"	the Bank's £250,000,000 Fixed Rate Reset Callable Subordinated Tier 2 Notes due 2025 (ISIN: XS1249403541)
"A Share"	a class A ordinary share of £0.0001 in the capital of Holdco
"Accredited Investor"	an "accredited investor" as such term is defined in Regulation D of the U.S. Securities Act 1933
"Advisers"	(a) Clifford Chance LLP; (b) Paul Hastings (Europe) LLP and any other adviser retained to advise the Principal Investors via Paul Hastings (Europe) LLP; (c) Houlihan Lokey EMEA, LLP; (d) PJT Partners Inc; (e) UBS Limited; (f) Merrill Lynch International; (g) Linklaters LLP;

	(h) Lansons Communications LLP; and
	(i) Grant Thornton UK LLP,
	and any of their directors, partners, employees and Affiliates
"Affiliates"	in respect of a person or entity:
	(a) a subsidiary of that person or entity or a holding company of that person or entity or any other subsidiary of such a holding company; and
	(b) any Affiliated Entities of any of the persons or entities referred to in sub-paragraph (a) above
"Affiliated Entities"	means (a) in relation to a fund (the "first fund"), (i) a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, (ii) if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an associate of the investment manager or investment adviser of the first fund or which is a co-investment vehicle under common control with the first fund; and (b) in relation to any other person, a fund which is managed or advised by such person or any of its associates
"Application Form"	the personalised application form on the basis of which Qualifying Shareholders holding Ordinary Shares in certificated form may apply for their pro-rata share of the Members' Subscription Shares under the Members' Equity Subscription
"Backstop Agreement"	a backstop agreement between the Principal Investors, the Bank, Holdco and Lucid Issuer Services Limited dated 14 July 2017 in respect of the Backstop Arrangements
"Backstop Arrangements"	the arrangement whereby the Principal Investors committed severally (and not jointly or jointly and severally), in proportion to their respective entitlements to subscribe for Subscription Shares under the Equity Subscriptions, to subscribe and pay for any Subscription Shares that are not subscribed and paid for under the Equity Subscriptions
"Bank"	The Co-operative Bank p.l.c., a company incorporated in England and Wales with the registered number 00990937, whose registered office is at P.O. Box 101, 1 Balloon Street, Manchester M60 4EP
"Business Day"	a day other than a Saturday or Sunday or public holiday in England and Wales
"Completion Time"	has the meaning given to it in the Restructuring Deed
"Co-operative Group"	Co-operative Group Limited
"Court"	the High Court of Justice of England and Wales
"Court Order"	the order of the Court sanctioning the Scheme under Part 26 of the Companies Act 2006
"Entitlements Record Date"	the date of the General Meeting (or, if later, any date to which it is adjourned)
"Entitlements Record Time"	6.00 p.m. on the Entitlements Record Date

“Equity Subscriptions”	the Members’ Equity Subscription and the Scheme Creditors’ Equity Subscription
“Excluded Territories”	Australia, Canada, Hong Kong, Japan, New Zealand, South Africa, Switzerland and any other jurisdiction where the delivery of the Members’ Scheme Circular into, or to a Scheme Shareholder resident in, such jurisdiction would breach any applicable law or regulation, and “Excluded Territory” shall mean any of them
“General Meeting”	the general meeting of the Bank scheduled to take place at 9.30 a.m. on 21 August 2017 at 10 Upper Bank Street, Canary Wharf, London E14 5JJ (and any adjournment thereof) called by the Bank for the purposes of considering and, if thought fit, passing the resolutions set out in Part 18 of the Members’ Scheme Circular
“Holdco”	Balloon Street Holdings Limited, a private limited company incorporated in England and Wales registered number 10865342, whose registered office is at c/o Paul Hastings (Europe) LLP, 10 Bishops Square, Eighth Floor, London E1 6EG
“Initial Backstop Providers”	the Principal Investors in the context of the Backstop Arrangements
“Lock-Up Agreement”	the lock-up and support agreement dated 28 June 2017 and made between the Bank and the Principal Investors
“Long Stop Date”	the later of: (a) 18 September 2017; (b) such later date falling prior to 31 December 2017 as may be agreed as the “Long Stop Date” for the purposes of the Lock-Up Agreement; and (c) such later date as the Bank and Holdco may agree and the Court may allow
“Majority Consenting Creditors” ...	persons holding a majority of the total principal amount of the Notes
“Members’ Equity Subscription”	has the meaning given to it in clause 1.1(a)(ii)
“Members’ Scheme Circular”	the shareholder circular dated 28 July 2017 published by the Bank in connection with the Restructuring and Recapitalisation
“Members’ Scheme Court Meeting”	the meeting of Scheme Shareholders to be held at 9.15 a.m. on 21 August 2017 at 10 Upper Bank Street, Canary Wharf, London E14 5JJ (and any adjournment thereof) convened at the direction of the Court pursuant to the Scheme at which a resolution will be proposed to approve the Scheme
“Members’ Subscription Shares”	has the meaning given to it in clause 1.1(a)(ii)
“Ordinary Share”	an ordinary share in the capital of the Bank with a nominal value of £0.05
“Preference Share”	a 9.25 per cent. non-cumulative irredeemable preference share in the capital of the Bank with a nominal value of £1.00
“Principal Investors”	funds managed and/or advised by Anchorage Capital Group L.L.C., BlueMountain Capital Management, LLC, Cyrus Capital Partners L.P., GoldenTree Asset Management and Silver Point Capital, L.P. who executed the Backstop Agreement as Initial Backstop Providers
“Prospectus Directive”	Directive 2003/71/EC (and any amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant

	Member State), and includes any relevant implementing measure in the Relevant Member State
“QIB”	a “qualified institutional buyer” as such term is defined in Rule 144A under the U.S. Securities Act 1933
“Qualified Investor”	“qualified investor” as such term is defined under the Prospectus Directive
“Qualifying Scheme Creditors”	Scheme Creditors except for: (i) any Scheme Creditor in the European Economic Area who is not a Qualified Investor; (ii) any Scheme Creditor who is a U.S. Person (as defined in Regulation S of the U.S. Securities Act 1933) and who is not a QIB or an Accredited Investor; and (iii) any Scheme Creditors with a registered address, or who are resident or located in, an Excluded Territory
“Qualifying Shareholders”	Scheme Shareholders except for: (i) any Scheme Shareholder in the European Economic Area who is not a Qualified Investor; (ii) any Scheme Shareholder who is a U.S. Person (as defined in Regulation S of the U.S. Securities Act 1933), who is not a QIB or an Accredited Investor; and (iii) any Scheme Shareholder with a registered address, or who are resident or located in, an Excluded Territory) who are registered as a member of the Bank at the Entitlements Record Time
“Registrar of Companies”	the registrar of companies of England and Wales
“Released Parties”	has the meaning given to it in clause 4.1
“Relevant Member State”	each member state of the European Economic Area which has implemented the Prospectus Directive
“Restructuring and Recapitalisation”	the corporate and financial restructuring and recapitalisation of the Bank to be implemented in accordance with the Restructuring Deed
“Restructuring Deed”	the restructuring deed substantially in the form attached at Annex 1 (or otherwise in the form modified in accordance with the terms of the Scheme) and which forms a part of the Scheme
“Restructuring Implementation Documents”	the documents to which the Scheme Shareholders, or any of them, are named as a party and which are listed and scheduled as such in the Restructuring Deed
“Retail Confirmation Deadline”	10.00 a.m. on the third Business Day following, but not including, the Scheme Effective Date
“Retail Noteholder”	means (A) a Subordinated Noteholder who as at 5.00 p.m. on 27 June 2017 satisfied and, at the Entitlements Record Time will continue to satisfy, the following conditions: (i) it is an individual person; (ii) it is the beneficial owner of less than £100,000 in aggregate principal amount of 2023 Notes; (iii) (a) if it is resident in the U.S, it is not an Accredited Investor, or (b) if it is not resident in the U.S, it is not a Qualified Investor; (iv) it is not a Sanctions Restricted Person; and (B) who (i) has validly confirmed the matters set out in paragraph (A) above in accordance with the procedures set out in the consent solicitation memorandum dated 28 July 2017 circulated to holders of the 2023 Notes; or (ii) has been assessed, on reasonable enquiry, by the Bank to satisfy the criteria set out in paragraph (A) above (which assessment shall be conclusive and binding) on or prior to the Retail Confirmation Deadline

“Sanctions Restricted Person”	each person or entity (a “Person”):
	(i) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (a) the most current “Specially Designated Nationals and Blocked Persons” list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (b) the most current “Foreign Sanctions Evaders List” (which as of the date hereof can be found at https://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (c) the most current “Consolidated list of persons, groups and entities subject to EU financial sanctions” (which as of the date hereof can be found at: https://data.europa.eu/euodp/en/data/dataset/consolidated-list-of-personsgroups-and-entities-subject-to-eufinancial-sanctions); or (ii) that is otherwise the subject of any sanctions administered or enforced by any sanctions authority, other than solely by virtue of their inclusion in: (a) the most current “Sectoral Sanctions Identifications” list (which as of the date hereof can be found at https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the “SSI List”), (b) Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the “EU Annexes”) or (c) any other list maintained by a sanctions authority, with similar effect to the SSI List or the EU Annexes
“Scheme”	this scheme of arrangement in its present form or with any modification or addition or condition made or introduced in accordance with its terms
“Scheme Creditors”	Subordinated Noteholders who are not a Retail Noteholder
“Scheme Creditors’ Equity Subscription”	the grant to Qualifying Scheme Creditors of a right to subscribe for up to their pro rata share of such number of A Shares representing in aggregate 64.1915 per cent of the total number of fully diluted issued A Shares of Holdco immediately following completion of the Restructuring and Recapitalisation
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with its terms
“Scheme Effective Time”	the time at which the Scheme becomes effective on the Scheme Effective Date
“Scheme Shareholders”	holders of Scheme Shares
“Scheme Shares”	all Ordinary Shares: (i) in issue at the date of the Scheme; (ii) (if any) issued after the date of the Scheme but before the Voting Record Time; (iii) (if any) issued at or after the Voting Record Time and on or prior to the Entitlements Record Time on terms that the holders will be bound by the Scheme

“Settlement Date”	has the meaning given to it in the Restructuring Deed
“Share Transfer”	has the meaning given to it in clause 1.1(a)(i)
“Subordinated Noteholder”	a person who is the beneficial owner of and/or the owner of the ultimate economic interest in any of the Subordinated Notes, whose interests in the Subordinated Notes are held either through records maintained in book entry form by a clearing system or in certificated form
“Subordinated Notes”	the 2023 Notes and the 2025 Notes
“Subscription Shares”	the A Shares in Holdco to be subscribed by Qualifying Shareholders and Qualifying Scheme Creditors pursuant to the Equity Subscriptions, representing in aggregate 67.57 per cent. of the total number of fully-diluted issued A Shares of Holdco following completion of the Restructuring and Recapitalisation
“U.S.”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“Voting Record Time”	5.00 p.m. on 17 August 2017 or, if the Members’ Scheme Court Meeting is adjourned, 5.00 p.m. on the date which is two Business Days before the date fixed for the adjourned meeting
“Wider Bank Group”	has the meaning given to it in clause 4.1

and where the context so admits or requires, the plural includes the singular and *vice versa*.

- (a) References to Clauses are to clauses of the Scheme.
- (b) A “**subsidiary**” or “**holding company**” is to be construed in accordance with section 1159 (and Schedule 6) of the Companies Act 2006.
- (c) All references to time of day in the Scheme are to London time.
- (d) The issued share capital of the Bank as at the close of business on 25 July 2017 (the latest practicable date prior to publication of this document) is £86,272,825.50, divided into 451,456,510 Ordinary Shares, none of which are held by the Bank in treasury, and 63,700,000 Preference Shares, none of which are held by the Bank in treasury (all of which are credited as fully paid). No Scheme Shares are owned by Holdco.
- (e) Holdco was incorporated and registered in England and Wales as a private limited company on 13 July 2017 with registered number 10865342 under the name Balloon Street Holdings Limited. The issued share capital of Holdco as at the close of business on 25 July 2017 (the latest practicable date prior to publication of this document) is divided into 451,457 ordinary shares of £0.10 each (all of which are credited as fully paid).
- (f) The ordinary shares in Holdco will be sub-divided and re-designated into 451,457,000 A Shares with a nominal value of £0.0001 each with effect from the Settlement Date.
- (g) It is anticipated that Holdco and Lucid Issuer Services Limited will undertake to the Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to the Scheme.

THE SCHEME

1. OVERVIEW OF THE SCHEME

1.1 The principal object and purpose of the Scheme is to:

- (a) effect the following steps in the Restructuring and Recapitalisation:
 - (i) the transfer of the Scheme Shares to Holdco in exchange for the issue of A Shares representing in aggregate five per cent. of the total number of fully-diluted issued A Shares of Holdco immediately following completion of the Restructuring and Recapitalisation to Scheme Shareholders on the register of members of the Bank at the Entitlements Record Time (the “**Share Transfer**”);
 - (ii) the grant to Qualifying Shareholders of a right to subscribe for their pro rata share of such number of A Shares representing in aggregate 3.3785 per cent of the total number of fully-diluted issued A Shares of Holdco immediately following completion of the Restructuring and Recapitalisation (the “**Members’ Subscription Shares**”) on the terms and conditions set out in Part 12 of the Members’ Scheme Circular and, if relevant, the Application Form (the “**Members’ Equity Subscription**”); and
- (b) authorise the Bank (or an agent or nominee of the Bank) to enter into and execute the Restructuring Deed and the Restructuring Implementation Documents on behalf of the Scheme Shareholders, and to take such other steps as are reasonably necessary or desirable to give effect to the Restructuring Deed and any Restructuring Implementation Documents.

2. AUTHORISATION TO EXECUTE, AND UNDERTAKING TO BE BOUND BY, THE RESTRUCTURING DEED AND THE RESTRUCTURING IMPLEMENTATION DOCUMENTS

2.1 Each Scheme Shareholder hereby irrevocably instructs, empowers and authorises the Bank as its true and lawful agent and attorney (acting by its directors or other duly authorised representatives) to, on and from the Scheme Effective Time:

- (a) enter into, execute and deliver (whether as a deed or otherwise) for and on behalf of such Scheme Shareholder each of the following documents:
 - (i) the Restructuring Deed; and
 - (ii) the Restructuring Implementation Documents,provided that such documents shall not be effective except as provided in the Restructuring Deed or, as applicable, the relevant Restructuring Implementation Document; and
- (b) take any steps or actions as may be reasonably necessary or desirable to give effect to the terms of the Restructuring Deed and the Restructuring Implementation Documents or otherwise to implement the Share Transfer, the Members’ Equity Subscription and the other transactions contemplated in the Restructuring Deed and the Restructuring Implementation Documents.

2.2 Without prejudice to the generality of Clause 6, each of the Restructuring Deed and the Restructuring Implementation Documents to be executed in accordance with Clause 2.1 shall be in substantially the forms annexed to this Scheme (in the case of the Restructuring Deed) or to the Restructuring Deed (in the case of the Restructuring Implementation Documents). For the avoidance of doubt, the Restructuring Deed and the Restructuring Implementation Documents shall be substantially in the form annexed to this Scheme or to the Restructuring Deed (as the case may be) provided that it has only been amended to:

- (a) complete any blanks (including without limitation, any bank account details, notice provisions or legal entity name), lists of parties and/or signature blocks; and/or

- (b) make any mechanical amendments reasonably required by the Bank and/or Holdco, provided that such mechanical amendment does not change any right or obligation of or impose an additional obligation (as at the date hereof) on a Scheme Shareholder thereunder; and/or
 - (c) make any other minor or technical amendments.
- 2.3 The authority granted or conferred by this Clause 2 shall be treated for all purposes as having been granted by deed and the Bank shall be entitled to delegate the authority granted or conferred by this Clause 2 to any person it deems necessary or desirable.
- 2.4 For the avoidance of doubt, and notwithstanding any other provision of this Clause 2, each Scheme Shareholder hereby confirms that it agrees to, shall be bound by and shall comply with, each of its obligations under each of the Restructuring Deed and the Restructuring Implementation Documents at such time as such document shall become effective in accordance with the terms of the Restructuring Deed or, as applicable, the relevant Restructuring Implementation Document.

3. IMPLEMENTATION OF THE SCHEME

3.1 Each of the Bank and Holdco shall:

no earlier than the Retail Confirmation Deadline but no later than 5.00 p.m. on the third Business Day following (but not including) the Scheme Effective Date,

- (a) enter into the Restructuring Deed (in the case of the Bank, on its own behalf and on behalf of each of the Scheme Shareholders); and
 - (b) use all reasonable endeavours to procure that, as soon as reasonably practicable:
 - (i) the Restructuring Deed shall be entered into by all of the persons purported to be party thereto; and
 - (ii) any condition precedent specified in the Restructuring Deed shall be satisfied (unless waived in accordance with the terms of the Restructuring Deed).
- 3.2 The Bank shall take any such steps or actions as may be reasonably necessary or desirable to, prior to the Long Stop Date, implement the Share Transfer, the Members' Equity Subscription and the other transactions contemplated in the Restructuring Deed and the Restructuring Implementation Documents in accordance with the terms of the Restructuring Deed and such Restructuring Implementation Documents.

4. RELEASE AND WAIVER BY SCHEME SHAREHOLDERS

- 4.1 With effect on and from the Completion Time, subject to Clause 4.2 below and to the extent it has not already done so, each Scheme Shareholder irrevocably and unconditionally, fully and finally waives and releases and forever discharges any and all actions, proceedings, claims, damages, counterclaims, complaints, liabilities, liens, rights, demands and set-offs, whether in this jurisdiction or any other, of whatsoever nature and howsoever arising, whether in law or in equity, in contract (including but not limited to breaches or non-performances of contract), statute or in tort (including but not limited to negligence and misrepresentation), breaches of statutory duty, for contribution, or for interest and/or costs and/or disbursements, whether filed or unfiled, whether or not presently known to the parties or to the law, and all claims that each Scheme Shareholder ever had, may have or hereafter can, shall or may have against the Bank and each of its Affiliates (together, the "**Wider Bank Group**"), Holdco, any director, officer or employee of the Bank, Holdco or any member of the Wider Bank Group (in each case, (A) in respect of an employee, who is, as at the Completion Time, employed; or (B) in respect of an officer or director, who is, as at the Completion Time, employed or holding office or was at any time, during the period from (and including) 13 February 2017 to the Completion Time, employed or held office), Co-operative Group, each of its current directors, officers, employees and advisers and each of its Affiliates, Lucid Issuer Services Limited, PACE Trustees Limited (trustee of the Co-operative Bank Pension Scheme), the Law Debenture Trustee Limited, Computershare

Investor Services PLC, the Advisers, the Principal Investors, the Initial Backstop Providers or any of their Affiliates (together, the “**Released Parties**”) in relation to or arising out of or in connection with:

- (a) the preparation, negotiation or implementation of the Scheme (including, but not limited to, the Restructuring Deed and the Restructuring Implementation Documents); and/or
- (b) the preparation, negotiation or implementation of the Restructuring and Recapitalisation; and/or
- (c) any event or circumstance arising in the period from 1 January 2016 to the Completion Time which caused or, contributed to, directly or indirectly, the requirement for the Restructuring and Recapitalisation;

4.2 Clause 4.1 shall not apply to:

- (a) nor in anyway impair or prejudice any rights of any Scheme Shareholder arising under the Scheme, the Restructuring Deed, any Restructuring Implementation Document and/or any other document ancillary thereto or entered into in connection therewith, (including as a consequence of non-compliance with the terms of the Schemes) or any remedy in respect of any such right; and/or
- (b) any claim or liability in respect of fraud, dishonesty or wilful default by the Bank, Holdco, any of their Affiliates and/or any director of the Bank; and/or
- (c) any claim or liability of any Adviser to any Scheme Shareholder arising under a duty of care which has been specifically accepted or acknowledged in writing by the relevant Adviser.

4.3 The Bank and Scheme Shareholders hereby agree that each of the Released Parties shall be entitled to rely upon the provisions of this Clause 4.

5. SCHEME EFFECTIVE TIME

5.1 The Scheme shall become effective as soon as an office copy of the Court Order shall have been duly delivered to the Registrar of Companies for registration.

5.2 Unless the Scheme shall have become effective on or before the Long Stop Date, the Scheme shall never become effective.

6. MODIFICATION

6.1 The Bank may, at any hearing to sanction this Scheme, consent on behalf of all persons concerned to any modification of, or addition to, the Scheme or to any terms or conditions that the Court may think fit to approve or impose.

6.2 In addition, any amendment or waiver of the terms of the Restructuring Deed may be made with the written consent of (i) the Bank, Holdco and the Court; or (ii) the Bank, Holdco and the Majority Consenting Creditors (providing that such amendment does not have a material impact on the interests of the Scheme Shareholders and the Scheme Creditors (acting as such)).

6.3 This Clause 6 is without prejudice to Clause 2.2.

7. NATURE OF THE RESTRUCTURING DEED

7.1 For the avoidance of doubt, the Restructuring Deed and the Restructuring Implementation Documents, and any actions taken pursuant to the Restructuring Deed or such Restructuring Implementation Documents shall be part of the Scheme.

8. GOVERNING LAW

8.1 This Scheme is governed by English law and is subject to the jurisdiction of the English courts.

9. COSTS

- 9.1 Notwithstanding the articles of association of the Bank, the Bank is authorised and permitted to pay all the costs and expenses relating to the negotiation, preparation and implementation of the Scheme.

Dated: 28 July 2017

ANNEX 1
RESTRUCTURING DEED

THE CO-OPERATIVE BANK P.L.C.

SCHEME CREDITORS

SCHEME SHAREHOLDERS

BALLOON STREET HOLDINGS LIMITED

ESCROW AGENT

HOLDING PERIOD TRUSTEE

RESTRUCTURING DEED

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THIS DEED (the “**Deed**”) is made on [•] 2017

BETWEEN:

- (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) **SCHEME CREDITORS** (as defined below);
- (3) **SCHEME SHAREHOLDERS** (as defined below)
- (4) **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**”);
- (5) **LUCID ISSUER SERVICES LIMITED** a company incorporated in England and Wales with registered number 05098454, whose registered office is at Tankerton Works, 12 Argyle Walk, London WC1H 8HA (the “**Escrow Agent**”); and
- (6) **LUCID ISSUER SERVICES LIMITED** a company incorporated in England and Wales with registered number 05098454, whose registered office is at Tankerton Works, 12 Argyle Walk, London WC1H 8HA (the “**Holding Period Trustee**”)

each a “**Restructuring Deed Party**” and together, the “**Restructuring Deed Parties**”.

WHEREAS

- (A) This Deed and any act as carried out pursuant to it forms part of the Members’ Scheme (as it relates to Scheme Shareholders) and the Creditors’ Scheme (as it relates to Scheme Creditors).
- (B) Pursuant to the Members’ Scheme and the Creditors’ Scheme, the Bank, the Scheme Creditors, the Scheme Shareholders and Holdco have agreed to enter into this Deed with the other Restructuring Deed Parties for the purpose of implementing the Restructuring and Recapitalisation of the Bank.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

“**2023 Noteholder Extraordinary Resolutions**” means the first and second extraordinary resolutions to be proposed at the 2023 Noteholder Meeting as set out in the relevant notice convening the 2023 Noteholder Meeting;

“**2023 Noteholder Meeting**” means the meeting convened, in connection with the Consent Solicitation, for the holders of the 2023 Notes to vote on the 2023 Noteholder Extraordinary Resolutions proposed at such meeting (and if such meeting is adjourned, shall include the adjourned meeting);

“**2023 Noteholders**” means the holders of the 2023 Notes;

“**2023 Notes**” means the Bank’s £206,000,000 11% subordinated notes due 2023 (ISIN: GB00BFXW0853);

“**2025 Notes**” means the Bank’s £250,000,000 fixed rate reset callable subordinated tier 2 notes due 2025 (ISIN: XS1249403541);

“**A Share**” means a class A ordinary share of £0.0001 in the capital of Holdco having the rights set out in the Holdco Articles of Association;

“**A Shareholder**” means the holder of one or more A Shares from time to time;

“Account Holder” means a holder of a Book Entry Interest;

“Account Holder Letter” means an account holder letter in the form provided in Appendix I to the Creditors’ Scheme Circular;

“Advisers” means:

- (a) Clifford Chance LLP;
- (b) Paul Hastings (Europe) LLP and any other adviser retained to advise the Principal Investors via Paul Hastings (Europe) LLP;
- (c) Houlihan Lokey EMEA, LLP;
- (d) PJT Partners Inc;
- (e) UBS Limited;
- (f) Merrill Lynch International;
- (g) Linklaters LLP;
- (h) Lansons Communications LLP; and
- (i) Grant Thornton UK LLP, and any of their directors, partners, employees and Affiliates;

“Affiliate” means in respect of any other person or entity:

- (a) a Subsidiary of that person or entity or a Holding Company of that person or entity or any other Subsidiary of such a Holding Company; and
- (b) any Affiliated Entities of any of the persons or entities referred to in subparagraph (a) above;

“Affiliated Entities” means (a) in relation to a fund (the **“first fund”**), (i) a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, (ii) if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an associate of the investment manager or investment adviser of the first fund or which is a co-investment vehicle under common control with the first fund; and (b) in relation to any other person, a fund which is managed or advised by such person or any of its associates;

“Application Form” means the personalised application form on the basis of which Qualifying Shareholders holding Scheme Shares in certificated form may apply for A Shares under the Members’ Equity Subscription;

“B Share” means a class B redeemable preference share of £0.01 in the capital of Holdco having the rights set out in the Holdco Articles of Association;

“B Shareholder” means a holder of one or more B Shares from time to time;

“Backstop Agreement” means the agreement dated 14 July 2017 and made between the Bank, Holdco, the Escrow Agent and the Backstop Providers (as defined therein);

“Backstop Commitment” has the meaning given to that term in the Backstop Agreement;

“Backstop Premium” has the meaning given to the term “Premium” in the Backstop Agreement;

“Backstop Provider” has the meaning given to that term in the Backstop Agreement;

“Bank Account” has the meaning given to that term in the Escrow Deed;

“Book Entry Interest” means, in relation to the 2025 Notes, a beneficial interest as principal in a Global Note held through and shown on, and transferred only through, records maintained in book entry form by the Bank of New York Mellon Depository (Luxembourg) S.A. as registrar;

“Business Day” means a day other than a Saturday, Sunday or a public holiday in London;

“Capped Amount” means in respect of a Subscribing Scheme Creditor who has indicated a Capped Amount in its Account Holder Letter or Certificated Holder Letter, such amount;

“Certificated Holder Letter” means a certificated holder letter in the form provided in Appendix II to the Creditors’ Scheme Circular;

“Clearing Systems” means all or any of Euroclear, Clearstream and CREST, each of their respective nominees and successors, and any other system designed for similar or analogous purposes, as appropriate;

“Clearstream” means Clearstream Banking SA;

“Companies Act” means the Companies Act 2006 (as amended from time to time);

“Completion Time” means the time at which the last of the Restructuring Steps to complete has completed;

“Conditions Precedent” means the satisfaction of the following:

- (a) approval of all of the Resolutions at the General Meeting by the relevant majorities;
- (b) approval of the 2023 Noteholder Extraordinary Resolutions at the 2023 Noteholder Meeting by the relevant majorities;
- (c) execution of a supplemental trust deed to amend the terms and conditions of the 2023 Notes by inserting a mandatory cancellation condition pursuant to the Consent Solicitation;
- (d) sanction of the Members’ Scheme by the High Court of Justice of England and Wales;
- (e) sanction of the Creditors’ Scheme by the High Court of Justice of England and Wales;
- (f) the sum of £250 million (excluding Excluded Escrow Monies) having been received by the Escrow Agent and being held pursuant to the Escrow Deed;
- (g) the granting of consent by either or both of the Prudential Regulation Authority or the Financial Conduct Authority (if required), to all applications for a change in controller submitted in respect of each of the Initial Backstop Providers (as applicable) and Holdco pursuant to Part XII Financial Services and Markets Act 2000;
- (h) the granting of permission by the Prudential Regulation Authority to Holdco’s issuance of A Shares (pursuant to the terms agreed by the parties) pursuant to Article 26(3) the CRR; and
- (i) the granting of permission by the Prudential Regulation Authority 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;

“Consent Solicitation” means the invitation by the Bank to the 2023 Noteholders to consent to the approval of the 2023 Noteholder Extraordinary Resolutions;

“Consent Solicitation Memorandum” means the memorandum dated 28 July 2017 circulated to the 2023 Noteholders with respect to the Consent Solicitation;

“Co-operative Group” means the Co-operative Group Limited;

“CP Satisfaction Date” means the date on which the Bank has received a CP Satisfaction Notice from each of the Inspectors;

“CP Satisfaction Notice” means a notice in the form set out in Schedule 2;

“Creditors’ Equity Subscription” has the meaning given to that term in the Creditors’ Scheme;

“Creditors’ Explanatory Statement” means the explanatory statement in respect of the Creditors’ Scheme, prepared in accordance with section 897 of the Companies Act;

“Creditors’ Scheme” means the scheme of arrangement pursuant to Part 26 of the Companies Act in connection with the Restructuring and Recapitalisation and made between the Bank and the Scheme Creditors (of which this Deed forms a part);

“Creditors’ Scheme Circular” means the creditor circular published by the Bank dated 28 July 2017 containing, amongst other things, the Creditors’ Scheme and the Creditors’ Explanatory Statement, and the terms and conditions of the Creditors’ Equity Subscription;

“CREST” means the relevant system (as defined in the CREST Regulations) in respect of which EUI is the operator (as defined in the CREST Regulations);

“CREST Participant” means a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);

“CREST Regulations” means The Companies Act 1996 (Uncertificated Securities) Regulations 1996 (S.I. No 68/1996) and the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), including any modifications thereof or any regulations in substitution therefor and for the time being in force;

“CRR” means Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;

“Deed of Gift” means the deed of gift to be executed by the Co-operative Group on or before the Settlement Date in favour of the Bank;

“Defaulting Backstop Provider” has the meaning given to that term in the Backstop Agreement;

“Director” means a director of the Bank from time to time;

“Direct Participant” means each person who is shown in the records of Euroclear or Clearstream, Luxembourg as a holder of an interest in the Notes, or a CREST Participant, as the context requires;

“Document Co-ordinator” means Clifford Chance LLP;

“Document Co-ordinator’s Office” means 10 Upper Bank St, London, E14 5JJ, United Kingdom;

“Early Bird Consenting Member” means a Scheme Shareholder that has signed the Lock-Up Agreement, executed an appropriate deed poll as provided at www.cooperativebank.co.uk/investorrelations pursuant to which it has agreed to adhere to and be bound by certain provisions of the Lock-Up Agreement or otherwise has undertaken in writing to support the implementation of the Restructuring and Recapitalisation on terms acceptable to the Bank by 28 July 2017 in respect of some or all of its Scheme Shares;

“Eligible B Shareholder” means an A Shareholder fulfilling the criteria to become a B Shareholder set out in the Holdco Articles of Association;

“Entitlements Record Date”: the date of the General Meeting (or, if later, any date to which it is adjourned);

“Entitlements Record Time” means 6.00 p.m. on the Entitlements Record Date;

“Equity Subscription” means the Creditors’ Equity Subscription and the Members’ Equity Subscription;

“Escrow Account Confirmation Notice” means a notice substantially in the form set out in Schedule 1 to the Escrow Deed;

“Escrow Payment Notice” means a notice to the Escrow Agent substantially in the form set out in Schedule 3 to the Escrow Deed;

“Escrow Deed” means the agreement dated 28 July 2017 and made between the Bank, Holdco, the Escrow Agent and the Registrar;

“Euroclear” means Euroclear Bank, SA/NV;

“Excluded Escrow Monies” has the meaning given to that term in the Escrow Deed;

“Full Subscription Entitlement” means in respect of a Subscribing Scheme Creditor, the maximum number of Subscription Shares for which it is entitled to subscribe pursuant to the Creditors’ Equity Subscription, calculated in accordance with the following formula:

$$\frac{\text{Such Subscribing Scheme Creditor's Scheme Claims}}{\text{The total principal amount of Notes held by all Scheme Creditors as at the Entitlements Record Time plus accrued but unpaid interest up to but excluding 31 July 2017 provided that for this purpose the term "Scheme Creditors" shall only exclude those Retail Noteholders that have validly confirmed that they are Retail Noteholders or have been assessed by the Bank to be Retail Noteholders, at or prior to the Entitlements Record Time.}} \times 5,795,934,112$$

“General Meeting” the general meeting of the Bank scheduled to take place at 9.30 a.m. on 21 August 2017 at 10 Upper Bank Street, Canary Wharf, London E14 5JJ (and any adjournment thereof) called by the Bank for the purposes of consideration and, if thought fit, passing the Resolutions;

“Holdco Articles of Association” means the new Holdco articles of association to be adopted with effect from the Settlement Date as described in the Members’ Scheme Circular;

“Holdco Shareholder Resolutions” means the resolutions of the shareholders of Holdco passed on 27 July 2017 in order to, amongst other things, adopt the Holdco Articles of Association with effect from the Settlement Date;

“Holding Company” means, in relation to a person or entity, any other person or entity in respect of which it is a Subsidiary;

“Holding Period Expiry Date” means the date falling 1 year after (and not including) the Settlement Date;

“Holding Period Trust Deed” means the deed to be made between the Bank, Holdco and the Holding Period Trustee setting out the terms on which the Holding Period Trustee will hold A Shares pursuant to Clauses 5, 8 and 9;

“Incorporation Shares” means the 451,457 ordinary shares of £0.10 each in the capital of Holdco as at the date of this Deed;

“Ineligible Scheme Creditor” means a Scheme Creditor in respect of whom the Information Agent did not receive a Validly Completed Account Holder Letter or Certificated Holder Letter on or before the Subscription Deadline;

“Information Agent” means Lucid Issuer Services Limited;

“Initial Backstop Percentage” has the meaning given to that term in the Backstop Agreement;

“Initial Backstop Provider” has the meaning given to that term in the Backstop Agreement;

“Insolvency Proceedings” has the meaning given to that term in the Lock-Up Agreement;

“Inspector” means each of Clifford Chance LLP and Paul Hastings (Europe) LLP;

“Lock-Up Agreement” means the lock-up and support agreement dated 28 June 2017 and made between the Bank and the Consenting Holders (as defined therein);

“Long-Stop Date” means the later of: (a) 18 September 2017; (b) such later date falling prior to 31 December 2017 as may be agreed as the **“Long Stop Date”** for the purposes of the Lock-Up Agreement; and (c) such later date as the Bank and Holdco may agree and the Court may allow;

“Majority Consenting Creditors” means persons holding a majority of the total principal amount of the Notes;

“Mandatory Cancellation” has the meaning given to that term in the Consent Solicitation Memorandum;

“Members’ Equity Subscription” has the meaning given to that term in the Members’ Scheme;

“Members’ Scheme” means the scheme of arrangement pursuant to Part 26 of the Companies Act in connection with the Restructuring and Recapitalisation and made between the Bank and the Scheme Shareholders (of which this Deed forms a part);

“Members’ Scheme Circular” means the shareholder circular published by the Bank dated 28 July containing, amongst other things, the Members’ Scheme and the explanatory statement in relation thereto and the terms and conditions of the Members’ Equity Subscription;

“New Bank Share” means an ordinary share of £0.05 each in the capital of the Bank;

“Nominated Recipient” shall have the meaning given to that term in the Creditors’ Explanatory Statement;

“Notes” means the 2023 Notes and the 2025 Notes;

“Notice of Mandatory Cancellation” means an announcement giving notice of the cancellation of the 2023 Notes held by Retail Noteholders in return for the payment of the Retail Cash Consideration and interest accrued and unpaid from 20 June 2017 up to, but excluding, 31 July 2017 on the Notes held;

“Open Market” means, in respect of the sale of A Shares, the sale of such A Shares to a third party on arm’s length terms;

“Overseas Shareholder” means Scheme Shareholders who have registered addresses outside the United Kingdom;

“Preference Shares” means the 9.25 per cent. non-cumulative irredeemable preference shares of £1.00 each issued by the Bank;

“Premium Fraction” has the meaning given to that term in the Backstop Agreement;

“Principal Investors” means funds managed and/or advised by Anchorage Capital Group L.L.C, BlueMountain Capital Management, LLC., Cyrus Capital Partners L.P., GoldenTree Asset Management UK LLP and Silver Point Capital, L.P.;

“Provisional B Share Subscription” means a subscription for B Shares that is submitted to Holdco in a form acceptable to Holdco (acting reasonably) by a person who is expected to be an Eligible B Shareholder following completion of Restructuring Steps 1-5, including the cash required to pay up such B Shares;

“Qualifying Scheme Creditor” has the meaning given to that term in the Creditors’ Scheme;

“Qualifying Shareholder” has the meaning given to that term in the Members’ Scheme;

“Registrar” means Computershare Investor Services PLC;

“Released Parties” has the meaning given to that term in Clause 10.1;

“Relevant Overseas Shareholder” has the meaning given to that term in Clause 8.2;

“Resolutions” means the resolutions to be proposed at the General Meeting as set out in Part 18 of the Members’ Scheme Circular;

“Restructuring and Recapitalisation” means the financial and corporate restructuring to be implemented in respect of the Bank as more specifically described in the Creditors’ Scheme Circular, the Consent Solicitation Memorandum and the Members’ Scheme Circular;

“Restructuring Completion Document” means each of the documents referenced in Part B of Schedule 1;

“Restructuring Deed Effective Date” means the date on which this Deed has been executed by or on behalf of all of the Restructuring Deed Parties;

“Restructuring Document” means each Restructuring Implementation Document and Restructuring Completion Document;

“Restructuring Implementation Document” means each of the documents referenced in Part A of Schedule 1;

“Restructuring Step” means any of Restructuring Step 1, Restructuring Step 2, Restructuring Step 3, Restructuring Step 4, Restructuring Step 5, Restructuring Step 6, Restructuring Step 7, Restructuring Step 8 and/or Restructuring Step 9 and **“Restructuring Steps”** shall mean any two or more of them, as the context shall admit;

“Restructuring Step 1” means all of the steps described in Clause 4.3;

“Restructuring Step 2” means all of the steps described in Clauses 4.4 to 4.6;

“Restructuring Step 3” means all of the steps described in Clauses 4.8 to 4.11;

“Restructuring Step 4” means all of the steps described in Clauses 4.12 to 4.15;

“Restructuring Step 5” means all of the steps described in Clauses 4.17 to 4.18;

“Restructuring Step 6” means all of the steps described in Clause 4.20;

“Restructuring Step 7” means all of the steps described in Clauses 4.21 to 4.23;

“Restructuring Step 8” means all of the steps described in Clause 4.24;

“Restructuring Step 9” means all of the steps described in Clause 4.25;

“Retail Accrued Interest” means interest accrued on the aggregate principal amount of the 2023 Notes that are subject to the Mandatory Cancellation, for the period from (and including) 20 June 2017 to (but excluding) 31 July 2017 which will be paid in cash;

“Retail Cash Consideration” shall have the meaning given to that term in the Consent Solicitation Memorandum;

“Retail Noteholder” shall have the meaning given to that term in the Consent Solicitation Memorandum;

“Scheme Claims” has the meaning given to that term in the Creditors’ Scheme;

“Scheme Creditors” has the meaning given to that term in the Creditors’ Scheme;

“Scheme Party” means a Scheme Creditor and/or a Scheme Shareholder (including in its capacity as a Subscribing Scheme Creditor and/or a Subscribing Shareholder, respectively and/or a Backstop Provider) as the context shall admit;

“Schemes” means the Members’ Scheme and the Creditors’ Scheme;

“Scheme Shareholders” has the meaning given to that term in the Members’ Scheme;

“Scheme Shares” has the meaning given in the Members’ Scheme;

“Scheme Subscribers” means the Subscribing Scheme Creditors, the Subscribing Shareholders and the Backstop Providers (excluding Defaulting Backstop Providers and Terminated Backstop Providers);

“Settlement Date” means the Business Day immediately following the CP Satisfaction Date;

“Stock Transfer Forms” means the stock transfer form(s) for the purpose of transferring the Scheme Shares from the Scheme Shareholders to Holdco, substantially in the form set out in Schedule 4 hereto;

“Subscriber Payment Notice” means a notice to the Escrow Agent substantially in the form set out in Schedule 2 to the Escrow Deed and Schedule 3 hereto;

“Subscription Final Allocation” means, in respect of a Subscribing Scheme Creditor who has elected in its Account Holder Letter or Certificated Holder Letter to subscribe:

- (A) for its Full Subscription Entitlement, such Subscribing Scheme Creditor’s Full Subscription Entitlement;
- (B) for a Capped Amount, and such Capped Amount when divided by the Subscription Price results in an amount of Subscription Shares which is more than its Full Subscription Entitlement, such Scheme Creditor’s Full Subscription Entitlement;
- (C) for a Capped Amount, and such Capped Amount when divided by the Subscription Price is less than such Scheme Creditor’s Full Subscription Entitlement, the number of A Shares calculated by dividing such Scheme Creditor’s Capped Amount by the Subscription Price,

and in respect of any other Scheme Creditor means zero;

“Subscribing Scheme Creditor” means a Qualifying Scheme Creditor who becomes entitled under the Creditors’ Scheme to be issued A Shares pursuant to the terms and conditions of the Creditors’ Equity Subscription, who has elected to do so and complied with all of the said terms and conditions;

“Subscribing Shareholder” means a Qualifying Shareholder who becomes entitled under the Members’ Scheme to be issued A Shares pursuant to the terms and conditions of the Members’ Equity Subscription, who has elected to do so and complied with all of the said terms and conditions;

“Subscription Deadline” means 3.00 p.m. on the Business Day after the Entitlements Record Date;

“Subscription Price” means, in respect of the Equity Subscription, the amount of £0.040977 per A Share;

“Subscription Shares” means the A Shares in Holdco to be subscribed by Qualifying Shareholders and Qualifying Scheme Creditors pursuant to the Equity Subscriptions, representing in aggregate approximately 67.57 per cent. of the total number of fully-diluted issued A Shares of Holdco following completion of the Restructuring and Recapitalisation;

“Subsidiary” has the meaning given to that term in section 1159 of the Companies Act 2006;

“Terminated Backstop Provider” has the meaning given to that term in the Backstop Agreement;

“Trustee” has the meaning given to that term in the Creditors’ Scheme; and

“Validly Completed” means, in respect of an Account Holder Letter or a Certificated Holder Letter (as applicable) an Account Holder Letter or Certificated Holder Letter which, to the satisfaction of the Information Agent:

- (a) has had each relevant part and section thereof completed;
- (b) gives all required authorisations, confirmations and undertakings;
- (c) attaches all additional information required to be provided therewith; and
- (d) where relevant, is executed by or on behalf of the relevant Scheme Creditor, Account Holder or Nominated Recipient (as applicable).

1.2 **Interpretation**

In this Deed:

- (a) a reference to a clause or schedule, unless the context requires, is a reference to a clause of or schedule to this Deed;
- (b) a reference in a schedule to a paragraph is, unless otherwise stated, a reference to a paragraph in that schedule or, where that schedule is split into parts, a reference to a paragraph in that part of that schedule;
- (c) for the avoidance of doubt and unless otherwise specified, a reference herein to “this Deed” includes a reference to each of the Schedules to this Deed;
- (d) a reference to a statute or statutory provision is a reference to that statute or statutory provision as re-enacted, amended or extended before the date of this Deed and includes reference to any subordinate legislation (as enacted, amended or extended) made under it before the date of this Deed;
- (e) a reference to a person includes a reference to a government, state, state agency, corporation, body corporate, association or partnership;
- (f) a reference to a person includes a reference to that person’s legal personal representatives, successors in title, permitted assigns and permitted transferees;
- (g) a reference to the “**Escrow Agent**” or the “**Holding Period Trustee**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
- (h) the singular includes the plural and *vice versa* (unless the context otherwise requires);
- (i) a time of day is a reference to the time in London, unless a contrary indication appears; and
- (j) the headings in this Deed do not affect its interpretation.

2. **EFFECTIVENESS AND EXECUTION**

- 2.1 Save as otherwise expressly provided in this Deed, this Deed shall be dated, and take effect as between the Restructuring Deed Parties, on the Restructuring Deed Effective Date.
- 2.2 On, or as soon as reasonably practicable following, the Restructuring Deed Effective Date but no later than 5.00 p.m. on the Business Day following the Restructuring Deed Effective Date, each of the Restructuring Deed Parties shall sign, but not date, each Restructuring Document in which it is named as a party and deliver such signed but undated Restructuring Document to the Document Co-ordinator in each case for the purpose of making such documents available for inspection to each of the Inspectors in accordance with Clause 3.1 below.
- 2.3 Each of the Restructuring Deed Parties hereby acknowledges and agrees that this Deed and, to the extent applicable, each Restructuring Document, shall be executed by and on behalf of:
 - 2.3.1 the Scheme Creditors pursuant to the authorities granted to the Bank and other persons as specified in the Creditors’ Scheme; and

- 2.3.2 the Scheme Shareholders pursuant to the authorities granted to the Bank and other persons as specified in the Members' Scheme.

3. CP SATISFACTION

- 3.1 Each Restructuring Deed Party hereby agrees that, on the date that the Document Co-ordinator considers that it has received each signed (but in some cases undated) Restructuring Document, it shall make a copy of such document available to each other Inspector (whether in person at the Document Co-ordinator's Office, or by electronic mail to each Inspector's electronic mail address notified to the Document Co-ordinator for such purpose), in order to enable each Inspector to inspect the signatures to that document for the purpose of giving a CP Satisfaction Notice.
- 3.2 Promptly upon being satisfied of:
- 3.2.1 the matters described in Clause 3.1; and
- 3.2.2 the satisfaction of each Condition Precedent,
- and **provided that** the Backstop Agreement has not terminated in accordance with its terms, the Bank shall procure that Clifford Chance LLP, and the Initial Backstop Providers shall procure that Paul Hastings (Europe) LLP, shall send their respective CP Satisfaction Notices to the Bank.

4. IMPLEMENTATION OF THE RESTRUCTURING STEPS

- 4.1 The implementation of the Restructuring Steps shall commence on the Settlement Date and take place in the order and at the time more specifically described in this Clause 4, all of which shall occur, so far as is reasonably practicable, without omission or time delay between them.
- 4.2 Each Restructuring Deed Party hereby irrevocably agrees that, upon a Restructuring Document or any other document becoming effective in accordance with this Clause 4, the signature pages to each Restructuring Document made available in accordance with Clause 3.1 (*Document CP Satisfaction*) shall be automatically released.

Restructuring Step 1: Incorporation Shares converted into A Shares

- 4.3 Pursuant to the Holdco Shareholder Resolutions, at 8:00 a.m. on the Settlement Date (or such other time on the Settlement Date as the Bank and Holdco shall agree):
- 4.3.1 the Holdco Articles of Association shall be adopted in replacement of the existing articles of association of Holdco; and
- 4.3.2 each Incorporation Share shall be subdivided and reclassified into 1,000 A Shares.

Restructuring Step 2: Issue of A Shares to the Scheme Shareholders

- 4.4 Immediately following the completion of Restructuring Step 1 (or such other later time on the Settlement Date as the Bank and Holdco may agree), Holdco shall acquire (as described in Clause 6) the Scheme Shares from the Scheme Shareholders fully paid up, with full title guarantee, free from all options, liens, equities, charges, encumbrances and other interests and together with all rights attaching to them, including voting rights and entitlement to receive and retain all dividends and other distributions declared, paid or made by the Bank.
- 4.5 In consideration of the transfer of the Scheme Shares to Holdco pursuant to Clause 4.4 above, Holdco shall allot and issue A Shares to the Scheme Shareholders (subject always to Clauses 5 and 8 below) on the basis that:
- 4.5.1 each Scheme Shareholder shall receive 0.95 A Shares for each Scheme Share held as at the Entitlements Record Time; and
- 4.5.2 each Scheme Shareholder that is an Early Bird Consenting Member shall receive an additional allocation of A Shares on the following basis:

Total nominal amount of Scheme Shares held as at the Entitlements Record Time that the Early Bird Consenting Member has agreed will be subject to the Lock-Up Agreement (including by way of executing the relevant deed poll) or in respect of which the Early Bird Consenting Member has given an appropriate undertaking

x 22,572,825.5 A Shares

Aggregate nominal amount of Scheme Shares held as at the Entitlements Record Time that all Early Bird Consenting Members have agreed will be subject to the Lock-Up Agreement (including by way of executing the relevant deed poll) or in respect of which the Early Bird Consenting Members have given an appropriate undertaking

and provided that, if it appears to the Bank (acting reasonably) that an Early Bird Consenting Member is a Scheme Shareholder holding on behalf of a number of beneficial holders of Scheme Shares, then the Bank shall have discretion to determine the number of Scheme Shares to which the Early Bird Consenting Member shall be deemed to have adhered to the Lock-Up Agreement (including by way of deed poll) or to have otherwise undertaken in writing to support the Restructuring and Recapitalisation and such determination shall be based upon, to the extent available, the holdings of the beneficial holders of the Scheme Shares in relation to which the Early Bird Consenting Member is acting in so adhering or undertaking.

- 4.6 To give effect to the transfer of the Scheme Shares pursuant to Clause 4.4 above, Holdco, as transferee, and the Bank (or an agent or nominee of the Bank), on behalf of and acting on the instructions of the Scheme Shareholders (which are hereby given), as transferors, shall execute and deliver the stock transfer form(s) for the transfer (or sign any other form of transfer or other instrument or instruction of transfer, or procure the transfer by means of CREST) of such Scheme Shares and every form, instrument or instruction of transfer so executed shall be effective as if it had been executed by the holder or holders of the Scheme Shares thereby transferred.
- 4.7 Pending the transfer of the Scheme Shares in accordance with Clause 4.4 above, each Scheme Shareholder irrevocably appoints Holdco and/or its nominee(s) as their attorney and/or agent and/or otherwise to exercise (in place of and to the exclusion of the relevant Scheme Shareholder) any voting rights attached to the Scheme Shares and any or all rights and privileges attaching to the Scheme Shares, to sign any consent to short notice of a general or separate class meeting and on their behalf to execute a form of proxy in respect of such shares appointing any person nominated by Holdco to attend general and separate class meetings of the Bank and authorises the Bank to send to Holdco any notice, circular, warrant or other document or communication which may be required to be sent to them as a member of the Bank, such that from the Settlement Date, no Scheme Shareholder shall be entitled to exercise any voting rights attached to the Scheme Shares or any other rights or privileges attaching to the Scheme Shares.

Restructuring Step 3: Issue of A Shares to the Scheme Creditors

- 4.8 Immediately following the completion of Restructuring Step 2 (or such other later time on the Settlement Date as the Bank and Holdco may agree), the Bank, on behalf of, and acting on the instructions of the Scheme Creditors which are hereby given, shall, if so requested by Holdco, deliver a written instruction to:

4.8.1 the Clearing Systems to:

- (a) debit from each Scheme Creditor's custody account at the relevant Clearing System (or their respective Account Holder's custody account) all Book Entry Interests in relation to the Notes held by such Scheme Creditor; and
- (b) credit Holdco's custody account (or the custody account of such nominee of Holdco as Holdco may specify) at the relevant Clearing System with all Book Entry Interests in relation to the Notes that were debited in accordance with paragraph (a) above;

- 4.8.2 the Registrar to re-register any Notes included in the register(s) of Notes maintained by the Registrar and that are registered in the name of the Scheme Creditors, whether such Notes are held in certificated or uncertificated form and pending such re-registration each Scheme Creditor hereby agrees that its title to such Notes shall be held on bare trust for, and to the order of, Holdco;
- 4.9 Pending the debit (if any) from the Scheme Creditor's custody account in accordance with Clause 4.8.1, each Scheme Creditor with the benefit of such Book Entry Interest hereby agrees that such Book Entry Interests shall be held on bare trust for, and to the order of, Holdco.
- 4.10 Solely in consideration of the transfer of the Notes to, and/or re-registration and/or declaration of trust in respect of the Notes in favour of, Holdco in accordance with Clauses 4.8 and 4.9 above, Holdco shall, subject to Clause 5, allot and issue A Shares to each Scheme Creditor (but subject always to Clause 4.11) on the following basis:

$$\frac{\text{The amount of such Creditor's Scheme Claim}}{\text{The total amount of all Scheme Claims}} \times 1,573,776,904 \text{ A Shares}$$

- 4.11 Holdco shall issue and allot any Ineligible Scheme Creditor's entitlement to A Shares to the Holding Period Trustee and the Holding Period Trustee shall hold the same in accordance with Clause 9.

Restructuring Step 4: Issue of A Shares in consideration of payment of the Subscription Price

- 4.12 Immediately after the completion of Restructuring Step 3 (or such other later time on the Settlement Date as the Bank and Holdco may agree), Holdco shall, simultaneously implement Restructuring Steps 4a-4c below:

Step 4a: Issue of A Shares to the Subscribing Shareholders

- 4.12.1 In consideration for the payment of the Subscription Price in respect of each such A Share, settled in accordance with Clause 4.13 below, Holdco shall, subject to Clause 4.14, allot and issue to each Subscribing Shareholder, the number of A Shares for which that Subscribing Shareholder has subscribed, at the Subscription Price and in accordance with the terms and conditions of the Members' Equity Subscription and, if applicable, its Application Form, on the basis of 0.6757 A Shares for each Scheme Share held by that Subscribing Shareholder as at the Entitlements Record Time.

Step 4b: Issue of A Shares to the Subscribing Scheme Creditors

- 4.12.2 In consideration for the payment of the Subscription Price in respect of each such A Share, settled in accordance with Clause 4.13 below, Holdco shall, subject to Clause 4.14, allot and issue to each Subscribing Scheme Creditor, the number of A Shares equal to the Subscribing Scheme Creditor's Subscription Final Allocation.

Step 4c: Issue of A Shares to the Backstop Providers in respect of their Backstop Commitment

- 4.12.3 In consideration for the payment of the Subscription Price in respect of each such A Share, settled in accordance with Clause (b) below, Holdco shall, subject to Clause 4.14:

- (a) allot and issue to each Backstop Provider (excluding Defaulting Backstop Providers and Terminated Backstop Providers), A Shares on the following basis:

$$\frac{\text{Backstop Commitment of the Backstop Provider}}{\text{£250,000,000}} \times (6,100,983,276 \text{ A Shares minus the aggregate number of A Shares issued under clauses 4.12.1 and 4.12.2})$$

- (b) in addition to any A Shares issued under (a), allot and issue to each Initial Backstop Provider (excluding Defaulting Backstop Providers and Terminated Backstop Providers), A Shares on the following basis:

Initial Backstop Percentage of that Initial Backstop Provider	x	Aggregate number of A Shares that would have been issued to the Defaulting Backstop Providers or Terminated Backstop Providers applying the formula at paragraph (a) (had they not been Defaulting Backstop Providers or Terminated Backstop Providers)
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- 4.13 In consideration for the allotment and issue of the A Shares in accordance with Clauses 4.12.1 to 4.12.3 above, each Scheme Subscriber shall pay the Subscription Price for each A Share issued to it to Holdco and, in satisfaction of such payment, the Bank, for and on behalf of such Scheme Subscribers, shall provide a Subscriber Payment Notice to the Escrow Agent directing the Escrow Agent to hold an amount equal to the aggregate Subscription Price of £250,000,000, on trust and for the benefit of Holdco. On receipt of such notice, the Escrow Agent agrees to hold such funds on trust and for the benefit of Holdco in accordance with the Escrow Deed.
- 4.14 No fractions of A Shares shall be allotted to any Subscribing Shareholders or Subscribing Scheme Creditor under Clauses 4.12.1 and 4.12.2, but all fractions of A Shares to which a Scheme Party would otherwise have been entitled pursuant to Clauses 4.12.1 and 4.12.2 will be aggregated and will be subscribed for by the Backstop Providers (excluding Defaulting Backstop Providers and Terminated Backstop Providers) under the Backstop Agreement in accordance with Clause 4.12.3.
- 4.15 Any fractional entitlements of Backstop Providers to A Shares arising under Clause 4.12.3 shall be rounded to the nearest whole A Share, provided that if such rounding results in the total number of A Shares to be issued under this Restructuring Step 4 being less than or greater than 6,100,983,276, the fractional entitlements closest to 0.5 A Shares will be rounded in the opposite direction to make the correction.
- 4.16 For the avoidance of doubt, the entitlements of the Subscribing Shareholders and Subscribing Scheme Creditors and the obligations of the Backstop Providers to subscribe for A Shares under this Restructuring Step 4 shall only become effective pursuant to the Schemes on the Settlement Date.

Restructuring Step 5: Issue of A Shares in respect of the Backstop Premium

- 4.17 Immediately following the completion of Restructuring Step 4 (or such other later time on the Settlement Date as the Bank and Holdco may agree), in consideration of the Backstop Providers having provided the Backstop Commitment and in payment of the Backstop Premium, Holdco shall, subject to Clause 5, allot and issue to each Backstop Provider (excluding Defaulting Backstop Providers and Terminated Backstop Providers), A Shares on the following basis:

Premium Fraction of the Backstop Provider	x	451,456,510 A Shares
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- 4.18 Any A Shares that would otherwise have been issued to a Defaulting Backstop Provider or Terminated Backstop Provider under Clause 4.17 will be shared between the other Backstop Providers in proportion to their respective Premium Fractions.
- 4.19 For the avoidance of doubt, the entitlements of the Backstop Providers to receive A Shares under this Restructuring Step 5 shall only become effective pursuant to the Creditors Scheme on the Settlement Date.

Restructuring Step 6: Holdco Issues B Shares

- 4.20 Immediately after the completion of Restructuring Step 5 (or such other later time on the Settlement Date as the Bank and Holdco may agree), Holdco shall allot and issue to each Eligible B Shareholder

who has made a Provisional B Share Subscription the number of B Shares to which it is entitled (reflecting its holding of A Shares following implementation of Restructuring Steps 1-5) pursuant to the Holdco Articles of Association and such Provisional B Share Subscription.

Restructuring Step 7: Capitalisation of the Bank

4.21 Immediately after the completion of Restructuring Step 6 (or such other later time on the Settlement Date as the Bank and Holdco may agree):

4.21.1 in consideration for the payment of a cash amount of £250,000,000 (as received by Holdco pursuant to Clause 4.13) settled in accordance with Clause 4.22 below, the Bank shall allot and issue to Holdco 20,000,000 New Bank Shares; and

4.21.2 in consideration for the release by Holdco and cancellation by Bank of the Notes in accordance with Clause 4.23 below, the Bank shall allot and issue to Holdco 40,000,000 New Bank Shares.

4.22 In settlement of the cash payment referred to in Clause 4.21.1, Holdco agrees to issue an Escrow Payment Notice to the Escrow Agent directing that the Escrow Agent immediately hold an amount equal to £250,000,000 on trust and for the benefit of Bank and thereafter to pay to the Bank Account an amount equal to £250,000,000 in cleared funds. On receipt of such notice, the Escrow Agent agrees that such amount shall automatically be held on trust and for the benefit of the Bank, and it shall immediately thereafter pay such amount in cleared funds to such Bank Account.

4.23 In settlement of the release and cancellation referred to in Clause 4.21.2, Bank and Holdco shall promptly take such steps as are required to procure the release and cancellation of the Notes held by or on trust and to the order of, Holdco, under Clauses 4.8 and 4.9.

Restructuring Step 8: Issue of the Notice of the Mandatory Cancellation and payment of the Retail Cash Consideration and Retail Accrued Interest

4.24 Immediately following the completion of Restructuring Step 7 (or such other later time on the Settlement Date as the Bank and Holdco may agree), the Bank shall issue the Notice of the Mandatory Cancellation to the Retail Noteholders, the Trustee and Computershare as Paying Agent, and, the rights, liabilities and obligations under the 2023 Notes of Retail Noteholders will be cancelled in accordance with the Mandatory Cancellation and, as soon as reasonably practicable thereafter, the Bank shall pay the Retail Cash Consideration and Retail Accrued Interest to each Retail Noteholder in accordance with the provisions set out in the Consent Solicitation Memorandum.

Restructuring Step 9: Deed of Gift

4.25 Immediately following the issuance of the Notice of Mandatory Cancellation under Restructuring Step 8 (or such other later time on the Settlement Date as the Bank and Holdco may agree), the Bank will exercise its rights under the Deed of Gift to procure that the Preference Shares are transferred to and registered in the name of the Bank, and thereafter immediately cancel such Preference Shares.

5. FRACTIONAL ENTITLEMENTS

No fractions of A Shares shall be allotted to any Scheme Party under Restructuring Steps 2, 3 and 5, but all fractions of A Shares to which a Scheme Party would otherwise have been entitled pursuant to Restructuring Steps 2, 3 and 5 will be aggregated and such A Shares will be issued to the Holding Period Trustee on terms that the Holding Period Trustee shall sell the A Shares so issued on arm's length terms. The cash proceeds of sale (after the deduction of the reasonable costs and expenses of the Holding Period Trustee in respect of such sale) will be paid to the Scheme Parties entitled to them, save that, where the proceeds from the sale of any such fractional entitlements due to a Scheme Party are less than £5.00, the Scheme Party will have no entitlement or right to the proceeds of sale but instead any such proceeds will be donated to charity. If a Scheme Party is entitled to the proceeds of such sale and it is not possible to pay the Scheme Party its entitlement, then the Holding Period Trustee shall decide what to do with the net cash proceeds and shall have absolute discretion to make such decision as it thinks fit in the circumstances (including, if necessary or desirable, paying the monies into Court or gifting the same to such charity as the nominee thinks fit).

6. CERTIFICATES REPRESENTING ORDINARY SHARES AND REGISTER OF MEMBERS

With effect from and including the commencement of Restructuring Step 2:

- 6.1.1 all certificates representing the holdings of the Scheme Shareholders of the Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised therein and every Scheme Shareholder shall be bound at the request of the Bank to deliver up such certificate(s) to the Bank or to destroy the same;
- 6.1.2 the Registrar shall be instructed to cancel the entitlements to the Scheme Shares of Scheme Shareholders who held the Scheme Shares in uncertificated form: and
- 6.1.3 appropriate entries shall be made in the register of members of the Bank to reflect the transfer of the Scheme Shares to Holdco.

7. MANDATES AND INSTRUCTIONS

Each mandate in force and duly notified to the Bank prior to the Settlement Date relating to the payment of dividends and bonus share issues on Scheme Shares and each instruction, election and communication preference then in force as to notices and other communications (including electronic communications) from the Bank shall, unless and until varied or revoked, be deemed, from and including the Settlement Date, to be a valid and effective mandate or instruction to Holdco in relation to the corresponding A Shares to be allotted and issued pursuant to this Scheme.

8. OVERSEAS SHAREHOLDERS

- 8.1 The issue of any A Shares to any Scheme Party and/or Backstop Provider shall be subject to any prohibition or condition imposed by law.
- 8.2 Without prejudice to the generality of Clause 8.1, if, in respect of Restructuring Step 2, Holdco is advised that the allotment and issue of A Shares to any Overseas Shareholder pursuant to Clause 4.5 would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require Holdco to observe any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of Holdco, it would be unable to comply or which it regards as unduly onerous (each such Overseas Shareholder being a “**Relevant Overseas Shareholder**”), then Holdco may issue such A Shares to the Holding Period Trustee as trustee for such Relevant Overseas Shareholder on terms that the Holding Period Trustee shall, as soon as practicable following the Settlement Date, sell the A Shares so issued on arm’s length terms and the cash proceeds of such sale (after the deduction of the reasonable costs and expenses of the Holding Period Trustee in respect of such sale) shall be paid to the Relevant Overseas Shareholder. If that is not possible, then the Holding Period Trustee shall decide what to do with the net cash proceeds and shall have absolute discretion to make such decision as it thinks fit in the circumstances (including, if necessary or desirable, paying the monies into Court or gifting the same to such charity as the nominee thinks fit).
- 8.3 The Holding Period Trustee hereby declares that it has the power to appoint an additional or replacement trustee over the A Shares referred to in Clause 8.2 at any time, subject to any additional or replacement trustee agreeing to be bound by the terms of this Deed.

9. HOLDING PERIOD TRUST

- 9.1 No A Shares will be issued in accordance with Clause 4 to any Ineligible Scheme Creditor.
- 9.2 If in accordance with Clause 4, the A Shares of any Ineligible Scheme Creditor are issued to the Holding Period Trustee, such A Shares will be held on trust (the “**Trust**”) for the relevant Ineligible Scheme Creditor (the “**Trust Securities**”) until the earlier of:
 - 9.2.1 the Holding Period Expiry Date; and

- 9.2.2 the date on which the A Shares of the relevant Ineligible Scheme Creditor are transferred in accordance with its wishes following the receipt of a Validly Completed Account Holder Letter or Certificated Holder Letter.
- 9.3 If the relevant Ineligible Scheme Creditor whose A Shares have been issued to the Holding Period Trustee under Clause 9.2 does not provide the Holding Period Trustee with a Validly Completed Account Holder Letter or Certificated Holder Letter on or prior to the Holding Period Expiry Date, then the Holding Period Trustee will sell such A Shares on the Open Market and the cash proceeds of such sale (after the deduction of the reasonable costs and expenses of the Holding Period Trustee in respect of such sale) shall, subject to Clause 9.5, be paid to the Ineligible Scheme Creditor.
- 9.4 During the period for which Trust Securities are held, if any Scheme Party whose A Shares are held by the Holding Period Trustee under the Trust requests that the Holding Period Trustee sells its Trust Securities on the Open Market, the Holding Period Trustee will sell the Trust Securities on the Open Market and, subject to Clause 9.5, will account to that Scheme Creditor for the sale proceeds after the deduction of the reasonable costs and expenses of the Holding Period Trustee in respect of such sale, **provided that** a Validly Completed Account Holder Letter or Certificated Holder Letter has been submitted to the Holding Period Trustee on behalf of that Scheme Party.
- 9.5 If it is not possible to pay the proceeds of sale to the applicable Scheme Creditor under Clauses 9.3 and 9.4, then the Holding Period Trustee shall decide what to do with the net proceeds and shall have absolute discretion to make such decision as it thinks fit in the circumstances (including, if necessary or desirable, paying the monies into Court or gifting the same to such charity as the Holding Period Trustee thinks fit).
- 9.6 The Holding Period Trustee hereby declares that it has the power to appoint an additional or replacement trustee over the Trust Securities at any time, subject to any additional or replacement trustee agreeing to be bound by the terms of this Deed.

10. RELEASES

- 10.1 With effect on and from the Completion Time, subject to paragraph 10.2 below and to the extent it has not already done so, each Scheme Party irrevocably and unconditionally, fully and finally waives and releases and forever discharges all Scheme Claims and any and all actions, proceedings, claims, damages, counterclaims, complaints, liabilities, liens, rights, demands and set-offs, whether in this jurisdiction or any other, of whatsoever nature and howsoever arising, whether in law or in equity, in contract (including but not limited to breaches or non-performances of contract), statute or in tort (including but not limited to negligence and misrepresentation), breaches of statutory duty, for contribution, or for interest and/or costs and/or disbursements, whether filed or unfilled, whether or not presently known to the parties or to the law, all claims that each Scheme Party ever had, may have or hereafter can, shall or may have against the Bank and each of its Affiliates (together, the “**Bank Group**”), Holdco, any current director, officer or employee of the Bank, Holdco or any member of the Bank Group (in each case, (A) in respect of an employee, who is, as at the Completion Time, employed; or (B) in respect of an officer or director who is, as at the Completion Time, employed or holding office or was at any time, during the period from (and including) 13 February 2017 to the Completion Time, employed or held office), The Co-operative Group, its directors, senior management, employees and advisers and each of its Affiliates, Lucid Issuer Services Limited, PACE Trustees Limited, (trustee of the Co-operative Bank Pension Scheme), the Trustee, Computershare Investor Services PLC, the Advisers, the Principal Investors, the Initial Backstop Providers or any of their Affiliates (each a “**Released Party**”) in relation to or arising out of or in connection with:
- 10.1.1 the preparation, negotiation or implementation of the Scheme (including, but not limited to, the Restructuring Deed and Restructuring Implementation Documents); and/or
- 10.1.2 the preparation, negotiation or implementation of the Restructuring and Recapitalisation; and/or

- 10.1.3 any event or circumstance arising in the period from 1 January 2016 to the Completion Time which caused or, contributed to, directly or indirectly the requirement for the Restructuring and Recapitalisation;
- 10.2 Clause 10.1 shall not apply to:
- 10.2.1 nor in any way impair or prejudice any rights of any Scheme Party arising under the Schemes, the Restructuring Deed, any Restructuring Implementation Document and/or any other document ancillary thereto or entered into in connection therewith, (including as a consequence of non-compliance with the terms of the Schemes) or any remedy in respect of any such right; and/or
- 10.2.2 any claim or liability in respect of fraud, dishonesty or wilful default by the Bank, Holdco, any of their Affiliates and/or any Director; and/or
- 10.2.3 any claim or liability of any Adviser to any Scheme Creditor arising under a duty of care which has been specifically accepted or acknowledged in writing by the relevant Adviser.

11. TERMINATION

- 11.1 Subject to Clause 11.2 below, this Deed shall terminate on the earlier of:
- 11.1.1 the Long-Stop Date in the event that the Completion Time has not occurred by 6.00 p.m. on such date; and
- 11.1.2 the date on which the Bank commences any Insolvency Proceeding.
- 11.2 Upon a termination of this Deed, in accordance with Clause 11.1, the rights and obligations of each Restructuring Deed Party under this Deed shall terminate and this Deed shall cease to have any further force or effect, save for the provisions of Clause 1 (*Definitions and Interpretation*), Clause 11 (*Termination*), Clause 14 (*Notices*), Clause 15.1 (*Third Party Rights*), Clause 18 (*Miscellaneous*) and Clause 18.7 (*Governing law and Jurisdiction*).
- 11.3 For the avoidance of doubt, in the event of a termination of this Deed in accordance with Clause 11.1, the terms of the Notes shall remain in full force and effect.
- 11.4 Any termination of this Deed in accordance with Clause 11.1 shall be without prejudice to any claim of any Restructuring Deed Party which has arisen under this Deed prior to such termination and such claim, if any, shall survive such termination.

12. SEVERANCE AND ENTIRE AGREEMENT

- 12.1 The invalidity, illegality or unenforceability of any provisions of this Deed does not affect the continuation in force of the remainder of this Deed.
- 12.2 This Deed (including its Schedules), the documents referred to in this Deed and the Schemes set out the entire agreement between the Restructuring Deed Parties in relation to the matters set out in it, including without limitation any agreement determining the date of the Settlement Date, and supersede any prior oral and/or written understanding or arrangements in respect of such matters.

13. AMENDMENTS AND WAIVERS

- 13.1 Any amendment or waiver of a term of this Deed which is of the type described in clause 2.2 of the Schemes may be made by the Bank (on behalf of itself and each other Restructuring Deed Party), and such amendment will be binding on all Restructuring Deed Parties.
- 13.2 Any other amendment or waiver of a term of this Deed may be made only with the written consent of:
- 13.2.1 the Bank, Holdco and the Court; or

13.2.2 the Bank, Holdco and the Majority Consenting Creditors (providing that such amendment or waiver does not have a material impact on the interests of the Scheme Creditors and the Scheme Shareholders (acting as such)).

14. NOTICES

14.1 Any notice or other written communication to be given under or in relation to this Deed shall be given in writing and shall be deemed to have been duly given if:

14.1.1 in respect of each Restructuring Deed Party other than the Scheme Parties, it is delivered by hand or sent by courier, post, airmail, fax or electronic mail to the address, fax number or electronic mail address specified for such party with its signature below;

14.1.2 in respect of a Scheme Party, it is delivered by means of an announcement via the London Stock Exchange;

14.1.3 in respect of the Document Co-ordinator, it is:

- (a) sent by email to ProjectRio-Lima@CliffordChance.com; and
- (b) sent by post to: 10 Upper Bank Street, London E14 5JJ, attention Philip Hertz and Lee Coney;

14.1.4 in respect of each of the Inspectors, it is delivered to the last known email, post and/or fax addresses of each Inspector, as known to the Bank.

14.2 Subject to Clause 14.3, any notice or other written communication to be given under this Deed shall be deemed to have been served:

14.2.1 if delivered by hand or courier, on the first Business Day following delivery;

14.2.2 if sent by post, on the second Business Day after posting if the recipient is in the country of dispatch, otherwise on the seventh Business Day after posting;

14.2.3 if sent by airmail, on the fifth Business Day after posting; and

14.2.4 if by fax or electronic mail, at the time of transmission by the sender, **provided that** if a notice would otherwise be deemed to have been received outside normal business hours, being 9.30 am to 5.30 pm local time on any Business Day in the place of receipt (which shall be deemed to be the same place as the address specified for service on that party by post), it shall instead be deemed to have been received at the recommencement of such normal business hours.

14.3 In proving service, it shall be sufficient proof, in the case of a notice sent by post, that the envelope was properly stamped, addressed and placed in the post.

14.4 Any notice or other written communication to be given under this Deed to the Document Coordinator shall only be deemed to have been given to the Document Co-ordinator when actually received by the Document Co-ordinator and, in this regard, the Document Co-ordinator shall endeavour to acknowledge receipt as soon as reasonably practicable.

15. FURTHER ASSURANCE

15.1 Each Restructuring Deed Party shall, at the request and at the cost (to be agreed in advance) of the Bank, do all acts and things necessary or desirable to give effect to the transactions effected or to be effected pursuant to this Deed.

16. OBLIGATIONS ON DAYS OTHER THAN A BUSINESS DAY

If any sum is due or obligation is to be performed under the terms of this Deed on a day other than a Business Day, the relevant payment shall be made, or obligation performed, on the next Business Day.

17. THIRD PARTY RIGHTS

Other than Clause 18.2 which each Inspector is entitled to benefit from and enforce, Clause 10 which each Released Party is entitled to benefit from and enforce, and as otherwise expressly provided for herein, a person who is not a party to this Deed has no right under the Contract (Rights of Third Parties) Act 1999 to enforce any term of this Deed but this does not affect any right or remedy of any third party which exists or is available apart from that Act.

18. MISCELLANEOUS

18.1 *Reservation of rights*

18.1.1 The failure to exercise or delay in exercising a right or remedy provided by this Deed or by law does not impair or constitute a waiver of the right or remedy or an impairment of or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Deed or by law prevents further exercise of the right or remedy of the exercise of another right or remedy.

18.1.2 The rights and remedies provided by this Deed are cumulative and not exclusive of any rights and remedies provided by law and all those rights and remedies will, except where expressly provided otherwise in this Deed, be available to each Restructuring Deed Party severally and any Restructuring Deed Party shall be entitled to commence proceedings in connection with those rights and remedies in its own name.

18.2 *Claims*

18.2.1 No Restructuring Deed Party may take any proceedings against any Inspector or partner, director, officer, employee or agent of an Inspector acting in its role as Inspector and/or Document Co-ordinator, in respect of any claim it might have against such Inspector or in respect of any act or omission of any kind by that partner, director, officer, employee or agent in relation to the Restructuring and Recapitalisation or this Agreement. This Clause shall not exclude any liability for fraud. An Inspector and any partner, director, officer, employee or agent of an Inspector may rely on this Clause 18.2.1 as if he/she were a party to this Deed.

18.3 *No partnership*

Nothing contained in this Deed (and no action taken by a Restructuring Deed Party pursuant to its terms) is to be construed as creating a partnership or agency relationship between any of the Restructuring Deed Parties.

18.4 *Counterparts*

This Deed may be executed in any number of counterparts and by the Restructuring Deed Parties hereto on separate counterparts each of which, when executed and delivered, shall constitute an original, but all the counterparts shall together constitute but one and the same instrument. Transmission by facsimile or by electronic mail of an executed counterpart of the Deed shall be deemed to constitute due and sufficient delivery of such counterpart.

18.5 *Personal Liability*

If a director or similar officer signs a certificate required under or pursuant to this Deed on behalf of the Bank and the certificate proves to be incorrect, that director or officer will incur no personal liability as a result and no Restructuring Deed Party (other than the Bank) may take any proceedings against that director or officer, save in the case of fraud. A director or similar officer may rely on this Clause 18.5 as if it were a party to this Deed.

18.6 *Certificates and confirmations*

The Document Co-ordinator shall be entitled to rely on any certificate, confirmation or similar action provided hereunder as conclusive evidence of the matters to which it relates without further

verification. The Document Co-ordinator is entitled to rely on this Clause 18.6 as if it were a party to this Deed.

18.7 Damages

Each Restructuring Deed Party agrees that money damages would not be a sufficient remedy for the breach by any Restructuring Deed Party of any term of this Deed. Any non-breaching Restructuring Deed Party may seek specific performance and injunctive or other equitable relief as a remedy for any such breach and no proof of special damages shall be necessary, provided, however, that each Restructuring Deed Party agrees to waive any requirement for the securing or posting of a bond in connection with such remedy.

19. GOVERNING LAW AND JURISDICTION

- 19.1 This Deed and all non-contractual or other obligations arising out of or in connection with it are governed by and construed in accordance with the laws of England and Wales.
- 19.2 The courts of England and Wales have exclusive jurisdiction to settle any dispute arising from or connected with this Deed (a “**Dispute**”) (including a dispute regarding the existence, validity or termination of this Deed or relating to any non-contractual or other obligation arising out of or in connection with this Deed) or the consequences of its nullity.
- 19.3 The Restructuring Deed Parties agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that no Restructuring Deed Party will argue to the contrary.

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

SCHEDULE 1

RESTRUCTURING DOCUMENTS

Part A: Restructuring Implementation Documents

1. Stock Transfer Forms
2. Subscriber Payment Notice

Part B: Restructuring Completion Documents

1. Escrow Account Confirmation Notice
2. Escrow Payment Notice
3. Deed of Gift (including the stock transfer scheme in respect of the Preference Shares appended thereto.)
4. Holding Period Trust Deed

SCHEDULE 2

CP SATISFACTION NOTICE

To: The Document Co-ordinator

From: *[Insert name of Inspector]*

Dated:

Dear Sirs

Restructuring Deed dated [•] 2017 between The Co-operative Bank p.l.c. and others (the “Restructuring Deed”)

Terms not otherwise defined in this notice have the meanings given to them in the Restructuring Deed. References to Clauses are references to clauses in the Restructuring Deed.

This notice is a CP Satisfaction Notice in connection with the Restructuring Deed. We hereby irrevocably confirm on behalf of our clients that:

- (a) we have no objection to the release of the Restructuring Implementation Documents in accordance with Clause 4 (*Implementation of the Restructuring Steps*) on the basis of the signatures to the Restructuring Implementation Documents made available in accordance with Clause 3.1 (*Document inspection*); and
- (b) each other Condition Precedent has been satisfied.

For the avoidance of doubt, nothing in this CP Satisfaction Notice shall constitute an opinion by us that a Restructuring Implementation Document inspected by us has been validly executed by any of the parties thereto and we have assumed, and are entitled to assume, that:

- (a) all signatures provided in respect of a Restructuring Implementation Document are genuine and all signatures which purport to have been attested were made in the presence of the purported witness;
- (b) each Restructuring Deed Party who provided a signature to a Restructuring Implementation Document was duly authorised to provide such signature (and such authorisation has not been revoked) and has duly executed and delivered such Restructuring Implementation Document;
- (c) each person executing a Restructuring Implementation Document on behalf of a Restructuring Deed Party had authority to execute such Restructuring Implementation Document on behalf of the Restructuring Deed Party (and such authorisation has not been revoked); and
- (d) the obligations expressed to be assumed by the Restructuring Deed Parties in the Restructuring Implementation Documents to which they are a party constitute their legal, valid, binding and enforceable obligations.

Yours faithfully

[Insert name of Inspector]

SCHEDULE 3

FORM OF SUBSCRIBER PAYMENT NOTICE

To: **Lucid Issuer Services Limited** as Escrow Agent
Tankerton Works,
12 Argyle Walk,
London WC1H 8HA

Attention: Sunjeeve Patel

Email: co-op@lucid-is.com

From: The Co-operative Bank p.l.c., for and on behalf of the Scheme Subscribers

Dated:

Dear Sirs

Restructuring Deed dated [•] August 2017 (the “Restructuring Deed”)

Escrow Deed dated 28 July 2017 (the “Escrow Deed”)

1. We refer to the Restructuring Deed, the Escrow Deed and the Scheme Documents. This is the Subscriber Payment Notice (this “**Notice**”). Terms defined in the Escrow Deed have the same meaning when used in this Notice.
2. In accordance with the terms of the Restructuring Deed and the Escrow Deed, we hereby instruct you to hold all Subscriber Payment Amounts on behalf of Balloon Street Holdings Limited.
3. We hereby confirm that this Notice is given in accordance with the terms of the Restructuring Deed and the Escrow Deed.

The Co-operative Bank p.l.c., acting for and on behalf of the Scheme Subscribers

acting by)
duly authorised by **The Co-operative Bank p.l.c.** to)
sign on its behalf

.....
Director/Authorised signatory (as appropriate)

STOCK TRANSFER FORM

(Above this line for Registrars only)

See attached Schedule listing the number of ordinary shares of The Co-operative Bank p.l.c. transferred by registered holders each for consideration of £1,000 or less

Certificate lodged with the Registrar

Consideration Money

(For completion by the Registrar/Stock Exchange)

Name of Undertaking	THE CO-OPERATIVE BANK P.L.C.	
Description of Security	ORDINARY SHARES OF £0.05 EACH	
Number or amount of Shares, Stock or other security and, in figures column only, number and denomination of units, if any	Words See attached Schedule listing the number of ordinary shares of The Co-operative Bank p.l.c. transferred by registered holders each for consideration of £1,000 or less.	Figures ([•] units of £0.05)
Name(s) of registered holder(s) should be given in full the address should be given where there is only one holder If the transfer is not made by the registered holder(s) insert also the name(s) and capacity (e.g. Executor(s)), of the person(s) making the transfer	In the name(s) of The Co-operative Bank p.l.c. shareholders each of whom received consideration of which the amount or value is £1,000 or less, as set out in the attached Schedule.	
I/We hereby transfer the above security out of the name(s) aforesaid to the person(s) named below. Signature(s) of transferor(s) 1 2 3 4 A Body corporate should execute this transfer under its common seal or otherwise in accordance with applicable statutory requirements.		Stamp of Selling Broker(s) or, for transactions which are not stock exchange transactions, of Agent(s), if any, acting for the Transferor(s). [•] Date [•]
Full name(s), full postal address(es) (including County or, if applicable, Postal District number) of the person(s) to whom the security is transferred	[BALLOON STREET HOLDINGS LIMITED/THE CO-OPERATIVE BANK HOLDINGS LIMITED]	
Please state title, if any, or whether Mr., Mrs. or Miss.		
Please complete in type or in Block Capitals.		

I/We request that such entries be made in the register as are necessary to give effect to this transfer.

Stamp of Buying Broker(s) (if any)	Stamp or name and address of person lodging this form (if other than the Buying Broker(s))

Reference to the Registrar in this form means the registrar or registration agent of the undertaking, not the Registrar of Companies at Companies House

FORM OF CERTIFICATE REQUIRED - TRANSFERS NOT CHARGEABLE WITH *AD VALOREM* STAMP DUTY

Complete Certificate 1 if:

- the consideration you give for the shares is £1,000 or less and the transfer is not part of a larger transaction or series of transactions (as referred to in Certificate 1).

Complete Certificate 2 if:

- the transfer is otherwise exempt from Stamp Duty and you are not claiming a relief, or
- the consideration given is not chargeable consideration.

Certificate 1

* Please delete as appropriate

I/We* certify that the transaction effected by this instrument does not form part of a larger transaction or series of transactions in respect of which the amount or value, or aggregate amount or value, of the consideration exceeds £1,000.

** Delete second sentence if certificate is given by transferor

I/We* confirm that I/we* have been authorised by the transferor to sign this certificate and that I/we* am/are* aware of all the facts of the transaction. **

Signature(s)

Description ("Transferor", "Solicitor", etc)

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Date

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Certificate 2

* Please delete as appropriate

I/We* certify that this instrument is otherwise exempt from *ad valorem* Stamp Duty without a claim for relief being made or that no chargeable consideration is given for the transfer for the purposes of Stamp Duty.

** Delete second sentence if certificate is given by transferor

I/We* confirm that I/we* have been authorised by the transferor to sign this certificate and that I/we* am/are* aware of all the facts of the transaction.**

Signature(s)

Description ("Transferor", "Solicitor", etc)

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Date

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Notes

- (1) You don't need to send this form to HM Revenue & Customs (HMRC) if you have completed either Certificate 1 or 2, or the consideration for the transfer is nil (in which case you must write 'nil' in the consideration box on the front of the form). In these situations send the form to the company or its registrar.
- (2) In all other cases - including where relief from Stamp Duty is claimed - send the transfer form to HMRC to be stamped.
- (3) Information on Stamp Duty reliefs and exemptions and how to claim them can be found on the HMRC website at hmrc.gov.uk/sd.

STOCK TRANSFER FORM

(Above this line for Registrars only)

See attached Schedule listing the number of ordinary shares of The Co-operative Bank p.l.c. transferred by all registered holders for consideration of more than £1,000.

Certificate lodged with the Registrar

Consideration Money

(For completion by the Registrar/Stock Exchange)

Name of Undertaking	THE CO-OPERATIVE BANK P.L.C.	
Description of Security	ORDINARY SHARES OF £0.05 EACH	
Number or amount of Shares, Stock or other security and, in figures column only, number and denomination of units, if any	Words See attached Schedule listing the number of ordinary shares of The Co-operative Bank p.l.c. transferred by all registered holders for consideration of more than £1,000.	Figures ([•] units of £0.05)
Name(s) of registered holder(s) should be given in full, the address should be given where there is only one holder. If the transfer is not made by the registered holder(s) insert also the name(s) and capacity (e.g. Executor(s)), of the person(s) making the transfer	In the name(s) of The Co-operative Bank p.l.c. shareholders who received consideration of which the amount or value is more than £1,000, as set out in the attached Schedule.	

I/We hereby transfer the above security out of the name(s) aforesaid to the person(s) named below

Signature(s) of transferor(s)

1.
2.
3.
4.

A Body corporate should execute this transfer under its common seal or otherwise in accordance with applicable statutory requirements.

Stamp of Selling Broker(s) or, for transactions which are not stock exchange transactions, of Agent(s), if any, acting for the Transferor(s)

[•]

Date [•]

Full name(s), full postal address(es) (including County or, if applicable, Postal District number) of the person(s) to whom the security is transferred

Please state title, if any, or whether Mr., Mrs. or Miss.

Please complete in type or in Block Capitals

[BALLOON STREET HOLDINGS LIMITED/THE CO-OPERATIVE BANK HOLDINGS LIMITED]
[•]

I/We request that such entries be made in the register as are necessary to give effect to this transfer.

Stamp of Buying Broker(s) (if any)	Stamp or name and address of person lodging this form (if other than the Buying Broker(s))

Reference to the Registrar in this form means the registrar or registration agent of the undertaking, not the Registrar of Companies at Companies House

FORM OF CERTIFICATE REQUIRED - TRANSFERS NOT CHARGEABLE WITH *AD VALOREM* STAMP DUTY

Complete Certificate 1 if:

- the consideration you give for the shares is £1,000 or less and the transfer is not part of a larger transaction or series of transactions (as referred to in Certificate 1).

Complete Certificate 2 if:

- the transfer is otherwise exempt from Stamp Duty and you are not claiming a relief, or
- the consideration given is not chargeable consideration.

Certificate 1

* Please delete as appropriate

I/We* certify that the transaction effected by this instrument does not form part of a larger transaction or series of transactions in respect of which the amount or value, or aggregate amount or value, of the consideration exceeds £1,000.

** Delete second sentence if certificate is given by transferor

I/We* confirm that I/we* have been authorised by the transferor to sign this certificate and that I/we* am/are* aware of all the facts of the transaction. **

Signature(s)

Description ("Transferor", "Solicitor", etc)

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Date

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Certificate 2

* Please delete as appropriate

I/We* certify that this instrument is otherwise exempt from *ad valorem* Stamp Duty without a claim for relief being made or that no chargeable consideration is given for the transfer for the purposes of Stamp Duty.

** Delete second sentence if certificate is given by transferor

I/We* confirm that I/we* have been authorised by the transferor to sign this certificate and that I/we* am/are* aware of all the facts of the transaction.**

Signature(s)

Description ("Transferor", "Solicitor", etc)

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Date

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Notes

- (1) You don't need to send this form to HM Revenue & Customs (HMRC) if you have completed either Certificate 1 or 2, or the consideration for the transfer is nil (in which case you must write 'nil' in the consideration box on the front of the form). In these situations send the form to the company or its registrar.
- (2) In all other cases - including where relief from Stamp Duty is claimed - send the transfer form to HMRC to be stamped.
- (3) Information on Stamp Duty reliefs and exemptions and how to claim them can be found on the HMRC website at hmrc.gov.uk/sd.