

Company No. 7972522

Private Company Limited by Shares

Written Resolution of

**Cambridge & Counties Bank Limited (Company)**

**Passed on: Friday, 31 March 2017**

TUESDAY



Under Chapter 2 of Part 13 of the Companies Act 2006, the following resolution was passed as a special resolution (**Resolution**).

### **SPECIAL RESOLUTION**

#### **AMEND ARTICLES OF ASSOCIATION**

THAT the articles of association of the Company be amended by inserting the following new additional article 20 after the existing article 19:

#### **20. ALTERNATE DIRECTORS**

- 20.1 Any director (other than an alternate director) (the **Appointor**) may with the approval of the board acting as a majority appoint any person (whether or not a director), to be an alternate director to exercise the Appointor's powers, and carry out the Appointor's responsibilities, in relation to the taking of decisions by the directors made as a board and decisions of committees and sub-committees to which the directors in accordance with these Articles delegated any of their powers (subject as herein provided), in the absence of the Appointor. In these Articles, where the context so permits, the expression "director" shall include an alternate director appointed by a director.
- 20.2 Any appointment or removal of an alternate director must be effected by notice in writing to the Company (and to the alternate, on removal) signed by the Appointor, or in any other manner approved by the directors.
- 20.3 The notice must:
- 20.3.1 identify the proposed alternate;
  - 20.3.2 detail in addition to the main board of the Company such board committees and sub-committees in respect of which the alternate is proposed to act (except where the board of directors shall otherwise direct in accordance with Article 20.4) either by listing all such board committees and sub-committees individually or separately identifying any board committees and sub-committees on which the alternate is not to sit; and

- 20.3.3 in the case of a notice of appointment, contain a statement signed by the proposed alternate that he is willing to act as the alternate of the director giving the notice.
- 20.4 An alternate director has the same rights, in relation to any decision of the directors, as the alternate's Appointor provided always that the board of directors may direct from time to time that, notwithstanding the terms of his appointment under Article 20.3, any alternate director may be excluded from participation on any board committees and sub-committees where such participation would in the opinion of the board give rise to a conflict of interest or otherwise be considered by the board of directors in its absolute discretion to be incompatible with the principles and best practices of good corporate governance. In making decisions under this Article the alternate director shall not be an eligible director.
- 20.5 Except as these Articles specify otherwise, alternate directors:
- 20.5.1 are deemed for all purposes to be directors (subject to the exclusions from board committees and sub-committees under either of Articles 20.3 and 20.4);
  - 20.5.2 are liable for their own acts and omissions;
  - 20.5.3 are subject to the same restrictions as their Appointors; and
  - 20.5.4 are not deemed to be agents of or for their Appointors, and, in particular (without limitation), each alternate director shall be entitled to receive notice of all meetings of directors and, subject to the exclusions from board committees and sub-committees under either of Articles 20.3 and 20.4, of all meetings of committees of directors of which his Appointor is a member.
- 20.6 A person who is an alternate director but not a director may, subject to him being otherwise eligible under these Articles:
- 20.6.1 be counted as participating for the purposes of determining whether a quorum is present at a meeting of directors (but only if that person's Appointor is an eligible director and is not participating); and
  - 20.6.2 participate in a unanimous decision of the directors (but only if his Appointor would in relation to that decision be an eligible director, and does not himself participate).
- 20.7 A director who is also an alternate director is entitled, in the absence of his Appointor(s), to a separate vote on behalf of each Appointor (provided that an Appointor is an eligible director in relation to that decision), in addition to his own vote on any decision of the directors.
- 20.8 An alternate director may be paid expenses and may be indemnified by the Company to the same extent as if he were a director but shall not be entitled to receive from the Company any remuneration in his capacity as an alternate director.
- 20.9 An alternate director's appointment as an alternate (in respect of a particular Appointor) terminates:

- 20.9.1 when the alternate's Appointor revokes the appointment by notice to the Company and the alternate in writing specifying when it is to terminate; or
  - 20.9.2 on the occurrence, in relation to the alternate, of any event which, if it occurred in relation to the alternate's Appointor, would result in the termination of the Appointor's appointment as a director;
  - 20.9.3 when the alternate director's Appointor ceases to be a director for whatever reason; or
  - 20.9.4 on a notice by the board under Article 20.10. .
- 20.10 The board of directors may reject any proposed appointment of an alternate director and may terminate the appointment of any alternate at any time.



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John Stobart  
Company Secretary  
Cambridge & Counties Bank Limited  
Friday, 31 March 2017



Company No. 7972522

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## Articles of Association of Cambridge & Counties Bank Limited

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Incorporated 1 March 2012

Adopted by written resolution passed on 20<sup>th</sup> April 2012 and amended by written resolutions passed on 7<sup>th</sup> June 2012, 19<sup>th</sup> July 2012, 10<sup>th</sup> January 2014, 19<sup>th</sup> October 2016 and 31<sup>st</sup> March 2017.

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# **THE COMPANIES ACT 2006**

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## **PRIVATE COMPANY LIMITED BY SHARES**

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### **ARTICLES OF ASSOCIATION**

OF

CAMBRIDGE & COUNTIES BANK LIMITED

Adopted by written resolution passed on 20<sup>th</sup> April 2012  
and amended by written resolutions passed on  
7<sup>th</sup> June 2012, 19<sup>th</sup> July 2012, 10<sup>th</sup> January 2014,  
19<sup>th</sup> October 2016 and 31<sup>st</sup> March 2017.

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#### **1. PRELIMINARY**

The model articles of association for private companies limited by shares contained in Schedule 1 to The Companies (Model Articles) Regulations 2008 in force on the date when these Articles become binding on the Company ("Model Articles") (a copy of which is annexed) apply to the Company except in so far as they are excluded or varied by these Articles.

#### **2. INTERPRETATION**

2.1 In these Articles the following expressions have the following meanings unless inconsistent with the context:

<b>"2006 Act"</b>	the Companies Act 2006 (as amended from time to time)
<b>"these Articles"</b>	these Articles of Association as amended from time to time
<b>"Buying Shareholder"</b>	the Shareholder who, pursuant to an acceptance or deemed acceptance of an offer contained in a Transfer Notice, has become obliged to complete a purchase of shares
<b>"electronic means"</b>	has the meaning given in section 1168 of the Companies Act 2006
<b>"Offer Terms"</b>	that all the relevant shares shall be sold and bought free from any Encumbrance and together with all rights attaching thereto as at the date of service of the Transfer Notice (other than rights to receive dividends prior thereto)

and that the consideration for such shares shall be the Transfer Price”

**“the Prescribed Rate”**

the base rate of Barclays Bank plc from time to time plus 2 per cent

**“the Statutes”**

the Companies Acts as defined in section 2 of the 2006 Act and every other statute, order, regulation or other subordinate legislation in force from time to time relating to companies and affecting the Company

**“Transferring Shareholder”**

the Shareholder, who pursuant to the acceptance or deemed acceptance of an offer contained in a Transfer Notice, has become bound to complete a sale of shares

**“United Kingdom”**

Great Britain and Northern Ireland.

2.2 Unless the context otherwise requires, words or expressions contained in these Articles bear the same meaning as in the Statutes but excluding any statutory modification of the same not in force when these Articles become binding on the Company.

2.3 References to any statute or statutory provision include, unless the context otherwise requires, a reference to that statute or statutory provision as modified, replaced, re-enacted or consolidated and in force from time to time and any subordinate legislation made under the relevant statute or statutory provision.

**3. UNANIMOUS DECISIONS OF DIRECTORS**

A decision of the directors may take the form of a resolution in writing, where each eligible director has signed one or more copies of it, or to which each eligible director has otherwise indicated agreement in writing. Model Article 8(2) shall not apply to the Company.

**4. CALLING A DIRECTORS’ MEETING**

4.1 Any director may call a directors’ meeting by giving not less than seven days’ notice of the meeting (or such lesser notice as all the directors may agree) to the directors or by authorising the company secretary (if any) to give such notice. Model Article 9(1) shall not apply to the Company.

**5. NUMBER OF DIRECTORS**

5.1 The minimum number of directors shall be five.

## **6. PARTICIPATION IN DIRECTORS' MEETINGS**

6.1 Subject to these Articles, directors participate in a directors' meeting, or part of a directors' meeting, when:

6.1.1 the meeting has been called and takes place in accordance with these Articles; and

6.1.2 they can each simultaneously communicate with and to the others participating in the meeting any information or opinions they have on any particular item of the business of the meeting.

6.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or, subject to **Article 6.1.2**, how they communicate with each other.

6.3 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

6.4 Model Article 10 shall not apply to the Company.

## **7. QUORUM FOR DIRECTORS' MEETINGS**

7.1 The quorum for directors' meetings shall throughout each meeting be four directors. Model Articles 11(2) and 11(3) shall not apply to the Company.

7.2 Any decision of the directors shall be a unanimous decision taken in accordance with Model Article 8. Model Article 7(1) shall not apply to the Company.

7.3 No business shall be conducted at any meeting of the directors unless a quorum is participating at the beginning of the meeting and also when that business is voted on. If a quorum is not participating within 30 minutes of the time specified for the relevant meeting in the notice of the meeting then the meeting shall be adjourned for seven Business Days at the same time and place.

## **8. CHAIRING OF DIRECTORS' MEETINGS**

8.1 For the purpose of conducting board meetings:

8.1.1 *The directors may appoint one director as chairman and another director as vice chairman.*

8.1.2 The persons so appointed for the time being shall be known respectively as the chairman and vice-chairman.

8.1.3 The directors may terminate the appointments of either or both of the chairman and vice-chairman at any time.

8.1.4 If the chairman is not participating in a directors' meeting whether in person or by telephone within ten minutes of the time at which it was to



start, the vice-chairman will chair the meeting and if neither the chairman nor the vice-chairman is so participating the participating directors will appoint one of themselves to chair it.

- 8.1.5 The director chairing the meeting when it begins shall chair it throughout unless he chooses to stand down at any point during the meeting whereupon the participating directors shall determine who is chairing the meeting.
- 8.2 If the numbers of votes for and against a proposal are equal, none of the chairman, the vice-chairman nor any other director chairing the meeting shall have a casting vote.
- 8.3 Model articles 12 and 13 shall not apply to the Company.
- 8.4 The director for the time being chairing the meeting shall have all the powers required for the proper conduct of the meeting.

## 9. **DIRECTORS' CONFLICTS AND INTERESTS**

- 9.1 The directors may, in accordance with the requirements set out in this article, authorise any matter or situation proposed to them by any director which would, if not authorised, involve a director (the **Interested Director**) breaching his duty under section 175 of the Companies Act 2006 (**the Act**) to avoid conflicts of interest (**Conflict**).
- 9.2 Any authorisation under this article will be effective only if:
  - 9.2.1 to the extent permitted by the Act, the matter in question shall have been proposed by any director for consideration in the same way that any other matter may be proposed to the directors under the provisions of these Articles or in such other manner as the directors may determine;
  - 9.2.2 any requirement as to the quorum for consideration of the relevant matter is met without counting the Interested Director; and
  - 9.2.3 the matter was agreed to without the Interested Director voting or would have been agreed to if the Interested Director's vote had not been counted.
- 9.3 Any authorisation of a Conflict under this article may (whether at the time of giving the authorisation or subsequently):
  - 9.3.1 extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised;

- 9.3.2 provide that the Interested Director be excluded from the receipt of documents and information and the participation in discussions (whether at meetings of the directors or otherwise) related to the Conflict;
  - 9.3.3 provide that the Interested Director will or will not be an Eligible Director in respect of any future decision of the directors in relation to any resolution related to the Conflict;
  - 9.3.4 impose upon the Interested Director such other terms for the purposes of dealing with the Conflict as the directors think fit;
  - 9.3.5 provide that, where the Interested Director obtains, or has obtained (through his involvement in the Conflict and otherwise than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose that information to the Company, or to use it in relation to the Company's affairs where to do so would amount to a breach of that confidence; and
  - 9.3.6 permit the Interested Director to absent himself from the discussion of matters relating to the Conflict at any meeting of the directors and be excused from reviewing papers prepared by, or for, the directors to the extent they relate to such matters.
- 9.4 Where the directors authorise a Conflict, the Interested Director will be obliged to conduct himself in accordance with any terms and conditions imposed by the directors in relation to the Conflict.
- 9.5 The directors may revoke or vary such authorisation at any time but this will not affect anything done by the Interested Director prior to such revocation or variation in accordance with the terms of such authorisation.
- 9.6 Any director who is also a director of another company with which the Company has a trading or supply relationship (the **Other Company**) and in respect of which the procedure for Conflicts has been followed, shall be entitled from time to time (except where the board of directors shall otherwise direct) to communicate in writing (**Relevant Communications**) to the board of directors of the Other Company information concerning the business and affairs of the Company that properly relates to that trading or supply relationship and is necessary for the proper management and administration of that relationship, subject always to the condition that he shall copy to the board of directors of the Company all Relevant Communications.
- 9.7 A director is not required, by reason of being a director (or because of the fiduciary relationship established by reason of being a director), to account to the Company for any remuneration, profit or other benefit which he derives from or in connection with a relationship involving a Conflict which has been authorised by the directors in accordance with these Articles or by the Company in general meeting (subject

in each case to any terms and conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds.

- 9.8 Subject to sections 177(5) and 177(6) of the Act, a director who is in any way, whether directly or indirectly, interested in a proposed transaction or arrangement with the Company shall declare the nature and extent of his interest to the other directors before the Company enters into the transaction or arrangement in accordance with the Act.
- 9.9 Subject to sections 182(5) and 182(6) of the Act, a director who is in any way, whether directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his interest to the other directors as soon as is reasonably practicable in accordance with the Act, unless the interest has already been declared under article 9.8.
- 9.10 Subject, where applicable, to any terms and conditions imposed by the directors in accordance with article 9.3, and provided a director has declared the nature and extent of his interest in accordance with the requirements of the Act, a director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company:
- 9.10.1 may be a party to, or otherwise interested in, any such transaction or arrangement with the Company, or in which the Company is otherwise (directly or indirectly) interested;
  - 9.10.2 shall be an Eligible Director for the purposes of any proposed decision of the directors (or committee of directors) in respect of such transaction or arrangement or proposed transaction or arrangement in which he is interested;
  - 9.10.3 shall be entitled to vote at a meeting of directors (or of a committee of directors) or participate in any unanimous decision, in respect of such transaction or arrangement or proposed transaction or arrangement in which he is interested;
  - 9.10.4 may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director;
  - 9.10.5 may be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested; and
  - 9.10.6 shall not, save as he may otherwise agree, be accountable to the Company for any benefit which he (or a person connected with him (as defined in section 252 of the Act)) derives from any such contract, transaction or arrangement or from any such office or employment or

from any interest in any such body corporate and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such remuneration or other benefit constitute a breach of his duty under section 176 of the Act.

#### **10. TERMINATION OF DIRECTOR'S APPOINTMENT**

In addition to the circumstances set out in Model Article 18 (a) to (f) (inclusive) a person ceases to be a director as soon as that person is removed from office as a director by ordinary resolution.

#### **11. DIRECTORS' PENSIONS AND GRATUITIES**

In addition to the provisions of Model Article 19(3)(b), the directors may exercise all the powers of the Company to give and provide pensions, annuities, gratuities or any other benefits whatsoever to or for present or former directors or employees (or their dependants) of the Company and the directors shall be entitled to retain any benefits received by them or any of them by reason of the exercise of any such powers.

#### **12. SHARES**

12.1 For the purposes of section 551 of the 2006 Act the directors are generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company up to such maximum nominal amount as may from time to time be authorised by the Company by ordinary resolution, provided that this authority shall expire five years after the adoption of these Articles.

12.2 In accordance with section 567(1) and (2) of the 2006 Act, sections 561(1) and 562 (1) to (5) (inclusive) of that Act shall not apply to the Company.

12.3 No shares shall unless otherwise determined by the directors be allotted to any employee, director, prospective employee or director unless such person has entered into a joint election with the Company under section 431 of the Income Tax (Earnings and Pensions) Act 2003.

12.4 The rights as to participation in the profits and assets of the Bank, receipt of notices, attendance and voting at meetings, redemption and conversion attaching to shares in the share capital of the Bank are set out in Schedule 1 and Schedule 2 attached to these resolutions which shall be regarded as part of these articles.

#### **13. TRANSFER OF SHARES**

##### **Restrictions on Transfer**

13.1 In this **Article 13**, references to a transfer of a share include the transfer or assignment of a beneficial or other interest in that share or the creation of a trust

or encumbrance over that share and reference to a share includes a beneficial or other interest in a share.

- 13.2 Any transfer of shares by any person shall be subject to the pre-emption rights in this **Article 13**.

#### **Pre-emption Rights**

- 13.3 Any person ("proposing transferor") proposing to transfer any shares must give notice in writing ("transfer notice") to the Company that he wishes to transfer the same and specifying the price per share at which he is willing to sell them. The transfer notice shall constitute the Company or the agent of the proposing transferor for the sale of all (but not some only) of the shares comprised in the transfer notice (together with all rights then attached to them) to any shareholder willing to purchase the same at the price deemed to be specified in the transfer notice pursuant to this **Article 13.5**. The price deemed to be specified in the transfer notice (the "**Transfer Price**") will be either (1) where the proposing transferor has received a third party offer for the shares the subject of the notice, the price offered by the third party buyer provided that reasonable details of the third party and the offer made are given to the Company or (2) if there is no such offer at the fair value determined in accordance with **Article 13.5 (Fair Value)**. A transfer notice shall not be revocable except with the sanction of the directors or as provided in **Article 13.5.5**.

- 13.4 Within 7 days of the receipt by the Company of any transfer notice, the shares comprised in such transfer notice shall be offered by the Company to any shareholder. Such offer shall be made by the Company by notice in writing ("offer notice") which shall state:

13.4.1 the identity of the proposing transferor, the number of shares comprised in the transfer notice, the price per share specified in the transfer notice and that the shares are offered to members in accordance with the provisions of this **Article 13.4**;

13.4.2 that each of the shares in question is being offered at the price specified in the transfer notice in accordance with **Article 13.3**

13.4.3 the period in which the offer may be accepted (not being less than 22 days nor more than 42 days after the date of the offer notice); and

13.4.4 that, if the price specified in the transfer notice is the fair value and a determination of the fair value is therefore required, the offer will remain open for acceptance for a period of 14 days commencing on the date notice of the determination of the fair value is given pursuant to **Article 13.5 (Fair Value)** or until the expiry of the period referred to in **Article 13.4.3** whichever is the later.

For the purpose of this Article an offer shall be deemed to be accepted on the day on which the acceptance is received by the Company

### **Fair Value**

13.5 If a determination of the fair value of the offered shares is required under **Article 13.3**, the proposing transferor shall be deemed, not later than 8 days after the date of the offer notice, to have served on the Company a notice in writing ("a fair value notice") requiring that the Company appoints the auditors for the time being of the Company to determine and confirm to the Company in writing the sum which in their opinion represents the fair value ("fair value") of each of the shares comprised in the transfer notice as at the date of the transfer notice and the following provisions shall apply:

- 13.5.1 if the auditors decline such appointment a person agreed upon by the proposing transferor and the directors or, failing agreement within 10 days of the service of the fair value notice, then a person nominated by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application of the directors on behalf of the Company shall be appointed and instructed by the Company to determine the fair value and confirm the same to the Company in writing. Any following reference in these Articles to the auditors shall include any person so agreed or nominated;
- 13.5.2 forthwith upon receipt of the fair value notice the Company shall appoint and (if required under **Article 13.3**) instruct the auditors to determine the fair value and confirm the same to the Company in writing and the costs of such determination shall be borne by the Company;
- 13.5.3 in determining and confirming the fair value the auditors shall be entitled to obtain professional valuations in respect of any of the Company's assets, shall act as experts and not as arbitrators or arbiters and any provisions of law or statute relating to arbitration shall not apply and their determination and confirmation of the fair value shall be final and binding on the proposing transferor and the shareholders (save for manifest error);
- 13.5.4 forthwith upon receipt from the auditors of their written confirmation of their determination of the fair value, the Company shall by notice in writing inform all members of the determined fair value of each share which shall be the price per share at which the shares comprised in the transfer notice are offered for sale by the proposing transferor;

- 13.5.5 If the proposing transferor is unwilling to sell at the fair value, the proposing transferor shall be entitled (except where a transfer notice shall have been deemed to have been served pursuant to **Article 13.11 (Deemed Transfer)**) to give a counter-notice in writing to the Company within 14 days of the issue by the Company of the notice to shareholders pursuant to **Article 13.5.3**, electing to withdraw the transfer notice.

#### **Minority/Majority shareholding**

- 13.6 If the shares specified in a transfer notice are less than one-half of the issued shares, the auditors shall reduce the fair value determined pursuant to **Article 13.5 (Fair Value)** to such extent as they consider appropriate to reflect the fact that they constitute a minority holding and, if the shares specified in a transfer notice are one-half or more of the issued shares, the auditors shall increase the fair value by such amount as they consider appropriate to reflect the control they confer.
- 13.7 If a shareholder shall be found for all the shares comprised in the transfer notice within the appropriate period specified in **Article 13.4**, the Company shall within 7 days after the expiry of such period give notice in writing ("sale notice") to the proposing transferor specifying the number of shares to be purchased by the purchasing shareholder(s) and the proposing transferor shall be bound upon payment of the price due in respect of all the shares comprised in the transfer notice to transfer the shares to the purchasing shareholder(s).
- 13.8 *If in any case the proposing transferor after having become bound makes default in transferring any shares, the Company may receive the purchase money on his behalf, and may authorise some person to execute a transfer of such shares on behalf of the proposing transferor in favour of the purchasing shareholders. For the purposes of authorising an individual to execute a transfer on behalf of the proposing transferor, a meeting of the directors shall be treated as quorate and a resolution shall be capable of being duly passed without the need for the directors appointed or nominated by the proposing transferor being present, represented or voting. The receipt of the Company for the purchase money shall be a good discharge to the purchasing shareholder. The Company shall pay the purchase money into a separate bank account and shall hold the same on trust for the proposing transferor.*

#### **Withdrawal of transfer notice or sale to a third party**

- 13.9 If the Company shall not give a sale notice to the proposing transferor within the time specified in **Article 13.7** in respect of sales to purchasing shareholders he shall be entitled either to withdraw the transfer notice or, during the 60 days following the expiry of the time so specified or, where a binding agreement has been entered into with a third party buyer within such 60 day period conditional

only upon the buyer receiving FSA authorisation, if later 60 days after following the obtaining by the third party buyer of any required FSA authorisation, to transfer all (but not some only) of the shares comprised in the transfer notice to the third party buyer specified in the notice served under **Article 13.3** provided that the price per share obtained shall not be less than the Transfer Price and the proposing transferor shall upon request furnish such information to the directors as they shall require in relation to the price per share obtained. The directors may require to be satisfied that such shares are being transferred in pursuance of a bona fide sale for the consideration stated in the transfer without deduction, rebate or allowance whatsoever to the purchaser, and if not so satisfied, may refuse to register the transfer.

#### **Unauthorised transfers null and void**

- 13.10 Any transfer or purported transfer of a share made otherwise than in accordance with the provisions of **Articles 13.3 to 13.8 (inclusive) (Pre-emption Rights)** shall be null and void and of no effect.

#### **Deemed transfers**

- 13.11 If a shareholder, or other person entitled to transfer a share, at any time attempts to transfer, deal with or dispose of a share or any legal or beneficial interest in such share otherwise than in accordance with the preceding provisions of this Article, the provisions of **Article 13.12** shall apply.
- 13.12 Where **Article 13.11** applies to any shareholder, such shareholder shall be deemed to have given a transfer notice on the occurrence of such attempt or event and to have specified in such transfer notice as the price per share, the fair value of each share to be determined and confirmed in accordance with **Article 13.5 (Fair Value)** and the provisions of **Articles 13.3 to 13.8 (inclusive) (Pre-emption Rights)** shall *mutatis mutandis* apply (on the basis that there is no requirement that all but not some only of the shares the subject of the deemed transfer notice must be sold to existing shareholders).
- 13.13 In the application of Model Articles 27, 28 and 29 (rules applying on the transmission of shares) any transmittee of shares on the death of a shareholder who wishes to transfer shares to another person shall be required to give a transfer notice to the Company under this **Article 13.13** and such transfer notice given shall be deemed to have specified that the price per share shall be the fair value of each share to be determined and confirmed in accordance with **Article 13.5 (Fair Value)** and the provisions of **Articles 13.3 to 13.8 (inclusive) (Pre-emption Rights)** shall *mutatis mutandis* apply (on the basis that there is no requirement that all but not some only of the shares the subject of the transfer notice must be sold to existing shareholders).



### **Right to require evidence**

- 13.14 For the purpose of ensuring that a transfer of shares is duly authorised under this **Article 13** and that no circumstances have arisen whereby a transfer notice is deemed to be given or is required to be served, the directors may from time to time require any shareholder or past shareholder to furnish to them such information and evidence as the Directors may reasonably think fit regarding any matter which they consider relevant to establish whether such transfer is duly authorised or whether any circumstances have arisen whereby a transfer notice is required to be served. Failing such information being furnished to the reasonable satisfaction of the Directors within a reasonable time after it has been requested, or if in the reasonable opinion of the Directors any such information or evidence is false in any material respect, the Directors may refuse to register the relevant transfer and/or declare by notice in writing to the relevant shareholder, personal representatives, trustees in bankruptcy, receiver, administrative receiver or administrator or similar officer that a transfer notice shall be deemed to have been given in respect of any relevant shares. Such deemed transfer notice shall be deemed to have specified that the price per share for such relevant shares shall be the fair value of each share to be determined and confirmed in accordance with **Article 13.5** (Fair Value) and the provisions of **Articles 13.3 to 13.8 (inclusive) (Pre-emption Rights)** shall *mutatis mutandis* apply (on the basis that there is no requirement that all but not some only of the shares the subject of transfer notice must be sold to existing shareholders).

### **13.15 Registration of Transfers**

- 13.15.1 The Directors may refuse to register the transfer of a share unless:

13.15.1.1 it is made in compliance with the provisions of this **Article 13**; and

13.15.1.2 it is lodged at the registered office of the Company or at such other place as the directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; and

13.15.1.3 it is in favour of not more than four transferees.

- 13.15.2 The Directors shall register a transfer of shares made in compliance with the provisions of this **Article 13**. Model Article 26(5) shall not apply to the Company.

## **14. NOTICE OF GENERAL MEETINGS**

Every notice convening a general meeting shall:

- 14.1 comply with section 325(1) of the 2006 Act as to giving information to shareholders relating to their right to appoint proxies; and
- 14.2 be given in accordance with section 308 of the 2006 Act, that is in hard copy form, *electronic form or by means of a website.*

## 15. **PROCEEDINGS AT GENERAL MEETINGS**

- 15.1 No resolution shall be voted on and no other business shall be transacted at any general meeting of the Company unless a quorum is present when such vote is taken or other business is transacted and no resolution or transaction shall be effective unless a quorum is so present. A quorum shall consist of two shareholders present in person or by proxy or (in the case of a shareholder being a corporation) by representative and if and for so long as the Company has only one person as a shareholder, one shareholder present in person or by proxy or (in the case of a shareholder being a corporation) by representative shall be a quorum.
- 15.2 If a quorum is not present within half an hour from the time appointed for a general meeting or if, during any general meeting a quorum ceases to be present, the general meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other place as the directors may determine; and if at the adjourned general meeting a quorum is not present within half an hour from the time appointed for the same such adjourned general meeting shall be dissolved. Model Article 41(1) to (5) inclusive shall not apply to the Company.

## 16. **VOTES OF SHAREHOLDERS**

- 16.1 On a written resolution every shareholder has one vote in respect of each share held by him, on a show of hands every shareholder entitled to vote who (being an individual) is present in person or by proxy (not being himself a shareholder entitled to vote) or (being a corporation) is present by a representative or proxy (not being himself a shareholder entitled to vote) has one vote and, on a poll, each shareholder has one vote for each share held by him.

## 17. **WRITTEN RESOLUTIONS**

- 17.1 A written resolution, proposed in accordance with section 288(3) of the Companies Act 2006, will lapse if it is not passed before the end of the period of 28 days beginning with the circulation date.
- 17.2 For the purposes of this **Article 17** "circulation day" is the day on which copies of the written resolution are sent or submitted to shareholders or, if copies are sent or submitted on different days, to the first of those days.

## 18. **COMPANY COMMUNICATION PROVISIONS**

- 18.1 Where:

18.1.1 a document or information is sent by post (whether in hard copy or electronic form) to an address in the United Kingdom; and

18.1.2 the Company is able to show that it was properly addressed, prepaid and posted,

it is deemed to have been received by the intended recipient 24 hours after it was posted.

18.2 Where a document or information is sent or supplied by electronic means and the Company is able to show that it was properly addressed, it is deemed to have been received by the intended recipient immediately after it was sent.

18.3 Where a document or information is sent or supplied by means of a website, it is deemed to have been received by the intended recipient:

18.3.1 when the material was first made available on the website; or

18.3.2 if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website.

18.4 Pursuant to section 1147(6) of the 2006 Act, subsections (2) (3) and (4) of that section shall be deemed modified by **Articles 18.1, 18.2 and 18.3.**

18.5 Subject to any requirements of the 2006 Act only such documents and notices as are specified by the Company may be sent to the Company in electronic form to the address specified by the Company for that purpose and such documents or notices sent to the Company are sufficiently authenticated if the identity of the sender is confirmed in the way the Company has specified.

## 19. **DIRECTORS' INDEMNITY AND INSURANCE**

19.1 Subject to article 19.2 but without prejudice to any indemnity to which a relevant officer is otherwise entitled:

19.1.1 each relevant officer of the Company shall be indemnified out of the Company's assets against all costs, charges, losses, expenses and liabilities incurred by him as a relevant officer:

19.1.1.1 in the actual or purported execution and/or discharge of his duties, or in relation to them; and

19.1.1.2 in relation to the Company's activities as a trustee of an occupational pension scheme (as defined in section 235(6) of the Act),

including (in each case) any liability incurred by him in defending any civil or criminal proceedings, in which judgment is given in his favour or

in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a relevant officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the Company's affairs; and

19.1.2 the Company may provide any relevant officer with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings or application referred to in article 19.1.1 and otherwise may take action to enable any such relevant officer to avoid incurring such expenditure.

19.2 This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Act or by any other provision of law.

19.3 The directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant officer in respect of any relevant loss.

19.4 In this article:

19.4.1 a "relevant officer " means any director or other officer or former director or other officer of the Company but excluding in each case any person engaged by the Company as auditor (whether or not he is also a director or other officer), to the extent he acts in his capacity as auditor; and

19.4.2 a "relevant loss" means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the Company or any pension fund or employees' share scheme of the Company.

## 20. **ALTERNATE DIRECTORS**

20.1 Any director (other than an alternate director) (the **Appointor**) may with the approval of the board acting as a majority appoint any person (whether or not a director), to be an alternate director to exercise the Appointor's powers, and carry out the Appointor's responsibilities, in relation to the taking of decisions by the directors made as a board and decisions of committees and sub-committees to which the directors in accordance with these Articles delegated any of their powers (subject as herein provided), in the absence of the Appointor. In these Articles, where the context so permits, the expression "director" shall include an alternate director appointed by a director.

20.2 Any appointment or removal of an alternate director must be effected by notice in writing to the Company (and to the alternate, on removal) signed by the Appointor, or in any other manner approved by the directors.

20.3 The notice must:

- 20.3.1 identify the proposed alternate;
  - 20.3.2 detail in addition to the main board of the Company such board committees and sub-committees in respect of which the alternate is proposed to act (except where the board of directors shall otherwise direct in accordance with Article 20.4) either by listing all such board committees and sub-committees individually or separately identifying any board committees and sub-committees on which the alternate is not to sit; and
  - 20.3.3 in the case of a notice of appointment, contain a statement signed by the proposed alternate that he is willing to act as the alternate of the director giving the notice.
- 20.4 An alternate director has the same rights, in relation to any decision of the directors, as the alternate's Appointor provided always that the board of directors may direct from time to time that, notwithstanding the terms of his appointment under Article 20.3, any alternate director may be excluded from participation on any board committees and sub-committees where such participation would in the opinion of the board give rise to a conflict of interest or otherwise be considered by the board of directors in its absolute discretion to be incompatible with the principles and best practices of good corporate governance. In making decisions under this Article the alternate director shall not be an eligible director.
- 20.5 Except as these Articles specify otherwise, alternate directors:
- 20.5.1 are deemed for all purposes to be directors (subject to the exclusions from board committees and sub-committees under either of Articles 20.3 and 20.4);
  - 20.5.2 are liable for their own acts and omissions;
  - 20.5.3 are subject to the same restrictions as their Appointors; and
  - 20.5.4 are not deemed to be agents of or for their Appointors, and, in particular (without limitation), each alternate director shall be entitled to receive notice of all meetings of directors and, subject to the exclusions from board committees and sub-committees under either of Articles 20.3 and 20.4, of all meetings of committees of directors of which his Appointor is a member.
- 20.6 A person who is an alternate director but not a director may, subject to him being otherwise eligible under these Articles:
- 20.6.1 be counted as participating for the purposes of determining whether a quorum is present at a meeting of directors (but only if that person's Appointor is an eligible director and is not participating); and

- 20.6.2 participate in a unanimous decision of the directors (but only if his Appointor would in relation to that decision be an eligible director, and does not himself participate).
- 20.7 A director who is also an alternate director is entitled, in the absence of his Appointor(s), to a separate vote on behalf of each Appointor (provided that an Appointor is an eligible director in relation to that decision), in addition to his own vote on any decision of the directors.
- 20.8 An alternate director may be paid expenses and may be indemnified by the Company to the same extent as if he were a director but shall not be entitled to receive from the Company any remuneration in his capacity as an alternate director.
- 20.9 An alternate director's appointment as an alternate (in respect of a particular Appointor) terminates:
  - 20.9.1 when the alternate's Appointor revokes the appointment by notice to the Company and the alternate in writing specifying when it is to terminate; or
  - 20.9.2 on the occurrence, in relation to the alternate, of any event which, if it occurred in relation to the alternate's Appointor, would result in the termination of the Appointor's appointment as a director;
  - 20.9.3 when the alternate director's Appointor ceases to be a director for whatever reason; or
  - 20.9.4 on a notice by the board under Article 20.10. .
- 20.10 The board of directors may reject any proposed appointment of an alternate director and may terminate the appointment of any alternate at any time.

## Schedule 1 - New Preference Shares

### 1. Definitions

#### 1.1 The following definitions and rules of interpretation apply in this Schedule.

**Accrued Dividends:** all dividends accrued but unpaid on the Cumulative Preference Shares.

**Articles:** the articles of association of the Company.

**Compliance Purposes:** all purposes arising out of or in connection with compliance with the capital adequacy or liquidity requirements applicable to the Company as determined by the Directors from time to time.

**Conversion Date:** in relation to any Cumulative Preference Shares, the earlier of (a) the date specified as such by the Company on or prior to the Relevant Issue Date and (b) the date determined in accordance with paragraph 11.4 below.

**Converting Holder:** has the meaning given in paragraph 11.1

**Conversion Notice:** has the meaning given in paragraph 11.1

**Converting Shares:** has the meaning given in paragraph 11.1

**Cumulative Preference Shares:** Cumulative Preference Shares of £1 each in the capital of the Company having the rights set out in this Schedule.

**Cumulative Preferential Dividend:** the dividend on the Cumulative Preference Shares set out in paragraph 3 of this schedule 1.

**Distributable Profits:** the profits available for distribution determined in accordance with the Act but reduced by any amounts required to be retained by the Company for Compliance Purposes.

**Dividend Payment Date:** 30<sup>th</sup> June and 31<sup>st</sup> December in each year.

**Dividend Period:** the period of 6 months ending on the next Dividend Payment Date.

**Dividend Rate:** the aggregate of LIBOR and the Margin.

**LIBOR:** the British Bankers Association Interest Settlement Rate displayed on the appropriate page of the Reuters screen at or around 11.00 am on the first day of a Dividend Period for delivering a sterling deposit of an amount comparable to the aggregate nominal value of the Cumulative Preference Shares then in issue for a period equal to that Dividend Period.

**Margin:** 5.5% per annum.

**New Preference Shares:** any Cumulative Preference Shares and Non-cumulative Preference Shares issued after the date of the adoption of this Schedule to the Articles together with any other share in the capital of the Company which is expressed to rank as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith.

**Non-Cumulative Preference Shares:** Non-Cumulative Preference Shares of £1 each in the capital of the Company having the rights set out in this Schedule.

**Non-Cumulative Preferential Dividend:** the dividend on the Non-Cumulative Preference Shares set out in paragraph 6 of this Schedule 1.

**Relevant Issue Date:** the date on which the relevant Cumulative Preference Shares are issued by the Company.

**2. Share rights**

Each New Preference Share from time to time in issue and forming part of the share capital of the Company shall confer the rights as to participation in the profits and assets of the Company, receipt of notices, attendance and voting at meetings and conversion specified or referred to in this Schedule 1

**Cumulative Preference Shares**

**3. Dividend rights of Cumulative Preference Shares**

- 3.1 The Cumulative Preference Shares shall confer the right to a fixed cumulative preferential dividend at the Dividend Rate on the amounts for the time being paid up or credited as paid up on such shares, to be paid on the Dividend Payment Dates in every year in respect of the half-years ending on the Dividend Payment Date. References to a "dividend" on the Cumulative Preference Shares include a reference to each dividend in respect of each Dividend Period applicable thereto.
- 3.2 Such dividends shall rank *pari passu* and *pro rata* with each other and shall be paid in priority to any dividend on the Non-cumulative Preference Shares or on any other class of share.
- 3.3 If there are insufficient Distributable Profits to pay the Cumulative Preferential Dividend then the unpaid dividends shall accrue as a debt due by the Company be paid in priority to all other dividends of the Company.
- 3.4 The Cumulative Preference Shares shall carry no right to participate in the profits of the Company except as set out in this paragraph 3.
- 3.5 Dividends payable on Cumulative Preference Shares shall accrue from and to the dates determined by the Directors prior to allotment thereof, and the amount of dividend payable in respect of any period shorter than a full dividend period will be calculated on the basis of a 365 day year and the actual number of days elapsed in such period.

**4. Capital rights of Cumulative Preference Shares**

- 4.1 On a winding up or liquidation, voluntary or otherwise the surplus assets of the Company available for distribution amongst the members shall be applied:
  - 4.1.1 First in paying to the holders of the Cumulative Preference Shares the arrears (if any) of the Cumulative Preferential Dividend (whether earned or declared or not and including (i) the amount of any Cumulative Preferential Dividend which is due for payment after the date of commencement of winding up or liquidation but which is payable in



respect of a half-year period ending on or before such date and (ii) any further amount of Cumulative Preferential Dividend payable in respect of the period from the beginning of the half-year period then current to the date of commencement of winding up or liquidation) to the date on which repayment is made, in terms of the immediately succeeding paragraph or, if no such repayment is made, the date of payment of such arrears; and

- 4.1.2 Secondly in repaying to the holders of the Cumulative Preference Shares, the amounts paid up or credited as paid up on such shares.
- 4.2 Any payments made to the holders of the Cumulative Preference Shares shall rank *pari passu* and *pro rata* with each other and in priority to and any payments to be made to the holders of the Non-cumulative Preference Shares.

### **Non-cumulative Preference Shares**

#### **5. Ranking of Non-cumulative Preference Shares**

- 5.1 The Non-cumulative Preference Shares shall rank after the Cumulative Preference Shares to the extent specified in this paragraph 5 and shall rank *pari passu inter se*.
- 5.2 They shall confer the rights and be subject to the restrictions set out in this paragraph 5 and shall also confer such further rights (not being inconsistent with the rights set out in this paragraph 5) as may be attached by the Directors to such shares in accordance with this paragraph 5 prior to allotment.
- 5.3 The Non-cumulative Preference Shares may be issued in one or more separate series, and each series shall be identified in such manner as the Directors may determine without any such determination or identification requiring any alteration to these presents.

#### **6. Dividend rights of Non-cumulative Preference Shares**

- 6.1 The Non-cumulative Preference Shares shall confer the right to a fixed non-cumulative preferential dividend at the Dividend Rate on the amounts for the time being paid up or credited as paid up on such shares, to be paid on the Dividend Payment Dates in every year in respect of the half-years ending on the Dividend Payment Date. References to a "dividend" on the Non-cumulative Preference Shares include a reference to each dividend in respect of each Dividend Period applicable thereto.
- 6.2 Such dividends shall rank *pari passu* and *pro rata* with each other and shall be paid in priority to the payment of any dividends on the Ordinary Shares but shall rank after the dividend payable on the Cumulative Preference Shares.
- 6.3 The Directors may, in their sole and absolute discretion, resolve prior to any Dividend Payment Date that the dividend on the Non-cumulative Preference

Shares, or part thereof, shall not be paid on that Dividend Payment Date. If the Directors resolve as aforesaid, then none or (as the case may be) part only of the dividend shall be declared and/or paid. The Directors shall not be bound to give their reasons for exercising their discretion under this sub-paragraph, and the Directors may exercise their discretion in respect of a dividend notwithstanding the previous setting aside of a sum to provide for payment of that dividend.

- 6.4 To the extent that any dividend or part of a dividend on any Non-cumulative Preference Shares is, on any occasion, not paid by reason of the exercise of the Directors' discretion pursuant to sub-paragraph 6.3 above, the holders of such shares shall have no claim in respect of such non-payment and it shall not constitute an event of default in relation to any facilities or arrangements of the Company.
- 6.5 The Non-cumulative Preference Shares shall carry no right to participate in the profits of the Company except as set out in this paragraph 6 and if and to the extent that any dividend or part thereof is on any occasion not paid for the reasons described in sub-paragraph 6.3 above, the holders of such shares shall have no claim in respect of such non-payment.
- 6.6 Dividends payable on Non-cumulative Preference Shares shall accrue from and to the dates determined by the Directors prior to allotment thereof, and the amount of dividend payable in respect of any period shorter than a full dividend period will be calculated on the basis of a 365 day year and the actual number of days elapsed in such period.
- 6.7 If the Non-Cumulative Preferential Dividend payable on the most recent Dividend Payment Date has not been declared and paid in full, or if a sum has not been set aside to provide for such payment in full, no dividends may be declared on any other share capital of the Company (other than the Cumulative Preference Shares), and no sum may be set aside for the payment thereof, unless, on the date of declaration relative to any such payment, an amount equal to the Non-Cumulative Preferential Dividend in respect of the then current dividend period is set aside for the payment in full of such dividend on the Dividend Payment Date relating to the then current Dividend Period.
- 6.8 If any Non-Cumulative Preferential Dividend payable on any Dividend Payment Date has not been declared and paid in full, or if a sum has not been set aside to provide for such payment in full, the Company may not redeem or purchase or otherwise acquire for any consideration any other share capital of the Company and may not set aside any sum nor establish any sinking fund for the redemption, purchase or other such acquisition thereof, until such time as the Non-Cumulative Preferential Dividend in respect of successive dividend periods together aggregating no less than twelve months shall thereafter have been declared and paid in full.

**7. Capital rights of Non-Cumulative Preference Shares**

The Non-cumulative Preference Shares shall have the right on a winding up or liquidation, voluntary or otherwise, other than (unless otherwise provided by the terms of issue of such share) a redemption or purchase by the Company of any shares of any class, to receive out of the surplus assets of the Company available for distribution amongst the members after payment of the arrears (if any) of the Cumulative Preferential Dividends and the amounts due under paragraph 4 and in priority to the holders of the Ordinary Shares of the Company a sum equal to:

- 7.1 the amount of any dividend which is payable in respect of the period from the preceding Dividend Payment Date to the date of payment;
- 7.2 but only to the extent that any such amount or further amount was, or would have been, payable as a dividend in accordance with or pursuant to paragraph 6; and
- 7.3 subject thereto and in priority to the holders of the Ordinary Shares of the Company, a sum equal to the amount paid up or credited as paid up on the Non-cumulative Preference Shares (including any premium paid to the Company in respect thereof on issue).

**Voting and other rights of New Preference Shares**

**8. Receipt of Notice**

Each holder of New Preference Shares shall have the right to have sent to him (at the same time as the same are sent to the holders of Ordinary Shares) a copy of the Company's Annual Report and Accounts and Interim Financial Statement, together with notice of any General Meeting of the Company at which such holder is entitled to attend and vote.

**9. Attendance and Voting at Meetings**

The holders of New Preference Shares shall have no right to attend or vote at any meeting of the Company except in accordance with article 10.

**10. Class rights**

- 10.1 Except as otherwise provided in these Articles, the Cumulative Preference Shares and the Non-cumulative Preference Shares shall constitute separate classes of shares.
- 10.2 No variation of the rights attaching to any class of shares shall be effective except with the prior written approval of persons holding over 75% of the relevant class of shares. Where a resolution to vary the rights attaching to a class of shares is proposed at a separate general meeting of that class of shares, all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be one holder of the relevant class present in person or by proxy or (being a corporation) by a duly authorised representative. For the purpose of this article, one holder present in person or by

proxy or (being a corporation) by a duly authorised representative may constitute a meeting.

## **11. Conversion of Cumulative Preference Shares**

11.1 The conversion right shall be exercised by the issue of a notice ("**Conversion Notice**") by the Company to the holder of the Cumulative Preference Shares ("**Converting Holder**") on the Conversion Notice Date setting out the number of Cumulative Preference Shares which are to be converted pursuant to such notice (the "**Converting Shares**").

11.2 The entitlement of the Company to convert Cumulative Preference Shares into fully paid Non-Cumulative Preference Shares shall be conditional on:

11.2.1 subject to the provisions of paragraph 11.3, the payment of the Accrued Dividends; and

11.2.2 the issue by the Company to the Converting Holder of such additional number of Non-Cumulative Preference Shares as may have been agreed between the Company and Converting Holder on the Relevant Issue Date prior to the issue of the Converting Shares subject only to the payment by the Converting Holder to the Company of the amounts agreed to be subscribed therefor.

11.3 If the Distributable Profits are insufficient to permit the payment of Accrued Dividends in full, the Company shall pay the maximum amount which it is legally permitted to pay pro rata on each Converting Share to the respective Converting Holders and the balance shall be paid at the time determined in accordance with the Articles.

11.4 The Company may by notice to the holder of Cumulative Preference Shares bring forward the date on which the conversion of the Cumulative Preference Shares is to be effected subject to the satisfaction of each of the following condition:

11.4.1 subject to the provisions of paragraph 11.3, the payment in full by the Company on or before the Conversion Date of all Accrued Dividends;

11.5 Conversion of the Converting Shares may be effected in such manner as the Directors shall, subject to the requirements of applicable law and the provisions hereof, from time to time determine.

11.6 The preferential dividend on the Converting Shares shall cease to accrue with effect from the Conversion Date.

11.7 Non-Cumulative Preference Shares arising on conversion will be allotted and registered as of the Conversion Date and in the name of the Converting Holder and shall rank pari passu with the Non-Cumulative Preference Shares in issue on such Conversion Date except that the Non-Cumulative Preference Shares so

allotted will not rank for any dividend or other distribution which has been announced, declared, recommended or resolved prior to such Conversion Date.

- 11.8 The Company shall procure that there shall be dispatched or made free of charge (*but uninsured and at the risk of the holder or the person entitled thereto*), a certificate in respect of Non-Cumulative Preference Shares arising on conversion.

## **Schedule 2 – Loss Absorbency**

### **1. Definitions**

- 1.1 The following definitions and rules of interpretation apply in this Schedule and unless stated otherwise, capitalised terms used in this Schedule that are not defined herein shall have the same meaning given to them in the articles.

**Conversion:** conversion of Non-Cumulative Preference Shares in accordance with the terms of this Schedule 2 and the Subscription Agreement.

**Conversion Date:** the date of a Trigger Event.

**Conversion Price:** the par value of Ordinary Shares as at the Conversion Date.

**Ordinary Shares:** the ordinary shares in the capital of the Company.

**Relevant Shareholder:** the person or persons who from time to time hold Non-Cumulative Preference Shares.

**Trigger Event:** such meaning as is given to this term in Schedule 4 of the Subscription Agreement.

### **2. Conversion of the Non-Cumulative Preference Shares**

- 2.1 Subject to paragraph 2.2, on the occurrence of a Trigger Event a proportion of the Non-Cumulative Preference Shares will automatically convert into fully paid Ordinary Shares at the Conversion Price with effect from the Conversion Date. The number of Non-Cumulative Preference Shares to be converted into Ordinary Shares shall be calculated in accordance with Schedule 4 of the Subscription Agreement.
- 2.2 Where there is more than one Relevant Shareholder on a Conversion Date the number of Non-Cumulative Preference Shares held by each Shareholder which is to be subject to Conversion shall be calculated on a pro-rata basis.
- 2.3 Conversion of the Non-Cumulative Preference Shares shall be effected by the Company on the Conversion Date.
- 2.4 Shares arising on conversion of the Non-Cumulative Preference Shares shall be issued and allotted by the Company on the Conversion Date and the certificates for such Ordinary Shares shall be despatched to the Relevant Shareholder at the risk of the Relevant Shareholder. Each Ordinary Share arising on Conversion shall be issued and allotted at such premium to reflect the difference between the nominal value of the Ordinary Shares and the amount of the Non-Cumulative Preference Shares converted on the Conversion Date.
- 2.5 The Ordinary Shares arising on Conversion of the Non-Cumulative Preference Shares shall be credited as fully paid and rank pari passu with the Ordinary Shares in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared after the Conversion Date.

- 2.6 Any accrued preferential dividend rights attaching to Non-Cumulative Preference Shares shall be extinguished on conversion.
- 2.7 The Company undertakes that, while the Non-Cumulative Preference Shares remain in issue, it shall at all times pending maintain all authorisation necessary to immediately issue the number of Ordinary Shares required on conversion of the Non-Cumulative Preference Shares and under paragraph 3 below on the terms set out in this Agreement should the Trigger Event occur without the need for the passing of any further resolutions of its shareholders without first having to offer the same to any existing shareholders of the Company or any other person.
3. **Allotment of Ordinary Shares**
- 3.1 Where Ordinary Shares are issued in accordance with paragraph 2 above, it is irrevocably agreed that any holder(s) of Ordinary Shares who does not hold Non-Cumulative Preference Shares shall (within 5 days of the date of Conversion) be offered the opportunity to subscribe for such number of Ordinary Shares as is necessary so as to ensure that the ratio of Ordinary Shares held by each Shareholder upon the issuance of these Ordinary Shares shall remain the same as was the case prior to the Conversion. If the number of Ordinary Shares to be issued and allotted to each Shareholder under this paragraph 3 is not a whole number, the number of Ordinary Shares to be offered to each Shareholder shall be rounded down to the nearest whole number.
- 3.2 Any Ordinary Shares offered under this paragraph 3 must be accepted in writing within 10 working days of the Conversion Date, failing which the offer shall be withdrawn and, in order to be valid, such acceptance must confirm how many Ordinary Shares that Shareholder wishes to subscribe for.
- 3.3 The newly issued and allotted Ordinary Shares under this paragraph 3 shall be issued and allotted no later than 5 days after the date on which the Shareholder has confirmed in writing that it wishes to subscribe for the Ordinary Shares.
- 3.4 A Shareholder who is offered the opportunity to subscribe for Ordinary Shares under this paragraph 3 is not obliged to subscribe for all of the Ordinary Shares offered and may elect to subscribe for none or only a proportion of the Ordinary Shares offered to it. If a Shareholder elects not to subscribe for all of the Ordinary Shares offered to it those unallocated Ordinary Shares shall remain unissued and will not be offered to any other Shareholder.
- 3.5 Any Ordinary Shares allotted under this paragraph 3 must be fully paid up by or on behalf of the recipient before they are issued and allotted.
- 3.6 Any Ordinary Shares allotted under this paragraph 3 shall carry the right to receive all dividends and other distributions declared after the date of issue.

<b>Names, addresses and descriptions of Subscribers</b>	
<p>THE MASTER OR KEEPER, FELLOWS AND SCHOLARS OF THE COLLEGE OR HALL OF THE HOLY TRINITY IN THE UNIVERSITY OF CAMBRIDGE (COMMONLY CALLED TRINITY HALL)</p> <p>Trinity Hall, Cambridge, CB2 1TJ</p>	
<p>CAMBRIDGESHIRE COUNTY COUNCIL</p> <p>Shire Hall, Castle Hill, Cambridge, CB3 0AP</p>	