

DATED 14 March 2019

**ONESAVINGS BANK PLC**

**and**

**CHARTER COURT FINANCIAL SERVICES GROUP PLC**

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**CO-OPERATION AGREEMENT**

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Slaughter and May  
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London, EC1Y 8YY  
(PIRD/PTT)

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**THIS AGREEMENT** is entered into on 14 March 2019

**BETWEEN:**

1. **ONESAVINGS BANK PLC**, a public limited company incorporated in England, with its registered address at Reliance House, Sun Pier, Chatham, Kent, ME4 4ET and company number 07312896 ("**OSB**"); and
2. **CHARTER COURT FINANCIAL SERVICES GROUP PLC**, a public limited company incorporated in England, with its registered address at 2 Charter Court, Broadlands, Wolverhampton, West Midlands, WV10 6TD and company number 06712054 ("**Charter Court**"),

together referred to as the "**parties**" and each as a "**party**" to this Agreement.

**WHEREAS:**

- (A) OSB and Charter Court propose to announce a recommended all-share combination of OSB and Charter Court (the "**Combination**") on the terms and subject to the conditions set out in the Announcement.
- (B) It is intended that the Combination will be effected by way of a scheme of arrangement of Charter Court pursuant to Part 26 of the Act (the "**Scheme**"), but OSB reserves the right if the Panel consents, as set out in the Announcement and subject to the terms of this Agreement, to elect to implement the Combination by way of a takeover offer (the "**Offer**").
- (C) The parties have agreed to take certain steps to effect the completion of the Combination and wish to enter into this Agreement to record their respective obligations relating to such matters.

**IT IS AGREED AS FOLLOWS:**

**1. Interpretation**

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

- |                                       |  |
|---------------------------------------|--|
| <b>"Acceptance Condition"</b>         | means the acceptance condition to the Offer;   |
| <b>"Act"</b>                          | means the Companies Act 2006;  |
| <b>"Adverse OSB Shareholder Vote"</b> | means the failure to obtain approval of the OSB Resolutions by the OSB Shareholders at the OSB General Meeting (or any adjournment or postponement thereof); |
| <b>"Agreed Switch"</b>                | has the meaning given in Clause 6.3;   |
| <b>"Announcement"</b>                 | means the announcement detailing the terms and conditions of the Combination to be made pursuant to Rule   |

2.7 of the City Code, in substantially the form set out in Schedule 1 (Form of Announcement);

<b>“Business Day”</b>	means a day (other than a Saturday, Sunday or public holiday in England) on which banks are generally open for business in London other than solely for trading and settlement in Euro;
<b>“Charter Court Board Recommendation”</b>	means the unanimous and unconditional recommendation of the board of Charter Court Directors to the Charter Court Shareholders to vote in favour of the Scheme at the Court Meeting and the Charter Court Resolutions at the Charter Court General Meeting, or, if OSB proceeds by way of the Offer, to accept the Offer (as the case may be);
<b>“Charter Court Directors”</b>	means the directors of Charter Court from time to time;
<b>“Charter Court Equalising Dividend”</b>	has the meaning given to it in Clause 2.4(B);
<b>“Charter Court General Meeting”</b>	means the general meeting of the Charter Court Shareholders (and any adjournment thereof) to be convened in connection with the Scheme for the purpose of considering, and, if thought fit, approving, the Charter Court Resolutions;
<b>“Charter Court Group”</b>	means Charter Court, its subsidiaries and its subsidiary undertakings from time to time and <b>“member of the Charter Court Group”</b> shall be construed accordingly;
<b>“Charter Court Permitted Dividend”</b>	has the meaning given to it in Clause 2.3(A);
<b>“Charter Court Preliminary Results Announcement”</b>	Charter Court’s preliminary results announcement for the twelve-month period ended 31 December 2018 (which includes the Charter Court Group’s audited historical consolidated financial statements for the twelve-months ended 31 December 2018) dated 14 March 2019;
<b>“Charter Court Resolutions”</b>	means such shareholder resolutions of Charter Court as are necessary to approve, implement and effect the Scheme and the Combination, including (without limitation) a resolution to amend the articles of association of Charter Court by the adoption and inclusion of a new article under which any Charter Court Shares issued or transferred after the Charter Court General Meeting shall either be subject to the Scheme or (after the Effective Date) be immediately transferred to OSB (or as it may direct) in exchange for the same consideration as is due under the Scheme;

<b>“Charter Court Shareholders”</b>	means the holders of Charter Court Shares from time to time;
<b>“Charter Court Shares”</b>	means the ordinary shares of 1 pence each in the capital of Charter Court from time to time;
<b>“Charter Court Share Plans”</b>	means the Performance Share Plan, the Deferred Bonus Plan, and the Sharesave Plan (in each case, as defined in Schedule 2 (Employee-related Matters));
<b>“City Code”</b>	means the City Code on Takeovers and Mergers as issued from time to time by or on behalf of the Panel;
<b>“Clearances”</b>	means all approvals, consents, clearances, permissions, confirmations, comfort letters and waivers that may need to be obtained and waiting periods that may need to have expired, from or under any of the laws, regulations or practices applied by any Relevant Authority, in each case, that are necessary to satisfy one or more of the Regulatory Conditions;
<b>“Combination”</b>	has the meaning given in Recital (A);
<b>“Competing Proposal”</b>	means: <ul style="list-style-type: none"> <li>(i) an offer (including a partial, exchange or tender offer), merger, acquisition, dual-listed structure, scheme of arrangement, reverse takeover and/or business merger (or the announcement of a firm intention to do the same), the purpose of which is to acquire, directly or indirectly, 30 per cent. or more of the issued or to be issued ordinary share capital of Charter Court (when aggregated with the shares already held by the acquirer and any person acting or deemed to be acting in concert with the acquirer) or any arrangement or series of arrangements which results in any party acquiring, consolidating or increasing “control” (as defined in the City Code) of Charter Court;</li> <li>(ii) the acquisition or disposal, directly or indirectly, of all or a significant proportion (being 25 per cent. or more) of the business, assets and/or undertakings of the Charter Court Group calculated by reference to any of its revenue, profits or value taken as a whole (or the announcement of a firm intention to do the same);</li> <li>(iii) a demerger, or any material reorganisation and/or liquidation, involving all or a significant portion</li> </ul>

(being 25 per cent. or more) of the Charter Court Group calculated by reference to any of its revenue, profits or value taken as a whole (or the announcement of a firm intention to do the same); or

- (iv) any other transaction which would be alternative to, or inconsistent with, or would be reasonably likely materially to preclude, impede or delay or prejudice the implementation of the Combination (including, for the avoidance of doubt, any transaction or arrangement which would constitute a Class 1 transaction for the purposes of the Listing Rules undertaken by a member of the Charter Court Group) (or the announcement of a firm intention to do the same),

in each case which is not effected by OSB (or a person acting in concert with OSB) or at OSB's direction, whether implemented in a single transaction or a series of transactions and whether conditional or otherwise;

**“Conditions”**

means:

- (i) for so long as the Combination is being implemented by means of the Scheme, the terms and conditions to the implementation of the Scheme as set out in Appendix I to the Announcement, as may be amended by OSB with the consent of the Panel (and for so long as the Scheme is unanimously and unconditionally recommended by the board of Charter Court Directors, with the consent of Charter Court); and
- (ii) for so long as the Combination is being implemented by means of an Offer, the terms and conditions referred to in (i) above, as amended by replacing the Scheme Condition with the Acceptance Condition and as may be further amended by OSB with the consent of the Panel (and, in the case of an Agreed Switch, and for so long as the Offer is unanimously and unconditionally recommended by the board of Charter Court Directors, the consent of Charter Court),

and **“Condition”** shall be construed accordingly;

**“Court”**

means the High Court of Justice in England and Wales;

<b>“Court Meeting”</b>	means the meeting of the holders of Charter Court Shares in issue on the date of the Scheme Document or issued after the date of the Scheme Document but prior to the Voting Record Time (excluding any Charter Court Shares held beneficially by any member of the OSB Group or held in treasury) (and any adjournment, postponement or reconvening thereof) or of any class or classes thereof to be convened pursuant to section 896 of the Act for the purpose of considering, and, if thought fit, approving (with or without modification), the Scheme;
<b>“Effective Date”</b>	means the date upon which either: <ul style="list-style-type: none"> <li>(i) the Scheme becomes effective in accordance with its terms; or</li> <li>(ii) if OSB elects to implement the Combination by means of an Offer in accordance with the terms of this Agreement, the date on which the Offer becomes or is declared unconditional in all respects;</li> </ul>
<b>“Exchange Act”</b>	means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;
<b>“Extended Date”</b>	has the meaning given to it in Clause 5.2;
<b>“External Anti-Trust/Regulatory Clean Team Arrangements”</b>	means the arrangements established pursuant to the clean team confidentiality agreement and the confidentiality and joint defence agreement, in each case entered into between OSB and Charter Court and dated 1 February 2019 and 14 February 2019, respectively;
<b>“HMRC”</b>	means Her Majesty’s Revenue & Customs;
<b>“Law”</b>	means any applicable statutes, common law, rules, ordinances, regulations, codes, orders, judgments, injunctions, writs, decrees, directives, governmental guidelines or interpretations having the force of law or bylaws, in each case, of a Relevant Authority;
<b>“Listing Rules”</b>	means the rules and regulations made by the Financial Conduct Authority pursuant to Part 6 of the Financial Services and Markets Act 2000, and contained in the Financial Conduct Authority’s publication of the same name;
<b>“Longstop Date”</b>	means 31 October 2019 (or such later date as may be agreed in writing by OSB and Charter Court (with the

Panel's consent and as the Court may approve (if such approval(s) are required));

<b>“New OSB Shares”</b>	means the new OSB shares proposed to be issued pursuant to the Scheme (or the Combination, as the context requires) or in consideration for the transfer to OSB of Charter Court Shares in accordance with the articles of association of OSB as amended in accordance with the OSB Resolutions;
<b>“Offer”</b>	has the meaning given in Recital (B);
<b>“Offer Consideration”</b>	means the consideration payable by OSB for each Charter Court Share pursuant to the Combination;
<b>“Offer Document”</b>	means an offer document published by or on behalf of OSB in connection with any Offer, including (as the context requires) any revised offer document;
<b>“OSB Board Recommendation”</b>	has the meaning given in Clause 5.3;
<b>“OSB Board Recommendation Change”</b>	has the meaning given in Clause 5.4;
<b>“OSB Circular”</b>	means the circular to be dispatched to OSB Shareholders in connection with the Combination and convening the OSB General Meeting, including any supplementary circular;
<b>“OSB Directors”</b>	means the directors of OSB from time to time;
<b>“OSB Equalising Dividend”</b>	has the meaning given to it in Clause 2.4(A)(ii);
<b>“OSB General Meeting”</b>	means the meeting of the OSB Shareholders (and any adjournment thereof) to be convened for the purpose of considering, and if thought fit approving, the OSB Resolutions (as well as any other incidental or related matter that OSB may wish to place before such meeting);
<b>“OSB Group”</b>	means OSB, its subsidiaries and its subsidiary undertakings from time to time and <b>“member of the OSB Group”</b> shall be construed accordingly;
<b>“OSB Permitted Dividend”</b>	has the meaning given to it in Clause 2.3(B);



<b>“OSB Preliminary Results Announcement”</b>	OSB’s preliminary results announcement for the twelve-month period ended 31 December 2018 (which includes the OSB Group’s audited historical consolidated financial statements for the twelve-months ended 31 December 2018) dated 14 March 2019;
<b>“OSB Prospectus”</b>	means the UK prospectus required to be published by OSB in respect of the New OSB Shares to be issued in connection with the Combination, including any supplementary prospectus;
<b>“OSB Resolutions”</b>	means the shareholder resolutions of OSB necessary to approve, effect and implement the Combination, including (without limitation) to: (i) approve the Combination as a “class 1 transaction” for the purposes of the Listing Rules; and (ii) grant authority to the OSB Directors to allot the New OSB Shares (and any amendment(s) thereof);
<b>“OSB Shareholders”</b>	means the holders of OSB Shares from time to time;
<b>“OSB Shares”</b>	means the ordinary shares in the capital of OSB from time to time;
<b>“Panel”</b>	means the UK Panel on Takeovers and Mergers;
<b>“Prospectus Rules”</b>	means the “prospectus rules” made by the Financial Conduct Authority pursuant to Part 6 to the Financial Services and Markets Act 2000, referred to in section 73A(4) of the same, and contained in the Financial Conduct Authority’s publication of the same name;
<b>“Regulatory Conditions”</b>	means the Conditions set out in paragraphs 4(B) to 4(F) (inclusive) (so far as, in the case of paragraphs 4(D) to 4(F) (inclusive), the relevant “Third Party” under that Condition is a Relevant Authority) of Part A of Appendix I to the Announcement;
<b>“Regulatory Information Service”</b>	means a regulatory information service as defined in the Listing Rules;
<b>“Relevant Authority”</b>	means any central bank, ministry, governmental, quasi-governmental, supranational, statutory, regulatory or investigative body, agency or authority (including any national or supranational anti-trust or merger control authority, any sectoral ministry or regulator and any foreign investment review body), national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any private body exercising any regulatory, taxing, importing or other authority in any relevant

jurisdiction (including the Prudential Regulation Authority and the Financial Conduct Authority);

<b>“Sanction Hearing”</b>	means the hearing of the Court (and any adjournment, postponement or reconvening thereof) to sanction the Scheme pursuant to section 899 of the Act, at which the Scheme Order is expected to be granted;
<b>“Scheme”</b>	has the meaning given in Recital (B);
<b>“Scheme Condition”</b>	means the condition set out in paragraph 2 of Part A of Appendix I to the Announcement;
<b>“Scheme Document”</b>	means the circular relating to the Scheme to be dispatched to the Charter Court Shareholders and persons with information rights, setting out, among other things, the details of the Combination, the full terms and conditions of the Scheme and the notices convening the Court Meeting and the Charter Court General Meeting (including (as the context requires) any supplementary scheme document);
<b>“Scheme Order”</b>	means the order of the Court sanctioning the Scheme pursuant to section 899 of the Act;
<b>“Scheme Record Time”</b>	means the time and date specified as such in the Scheme Document or such later time as OSB and Charter Court may agree;
<b>“Securities Act”</b>	means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
<b>“Shareholder Approval Longstop Date”</b>	means 30 June 2019, or such other date as may be agreed in writing by OSB and Charter Court;
<b>“Switch”</b>	has the meaning given in Clause 6.3;
<b>“Voting Record Time”</b>	has the meaning given to it in the Announcement; and
<b>“Working Hours”</b>	has the meaning given in Clause 13.5.

1.2 In this Agreement, except where the context otherwise requires:

- (A) the expressions “**subsidiary**” and “**subsidiary undertaking**” shall have the meanings given in the Act;
- (B) the expression “**group**”, in relation to a party, means that party together with its subsidiaries and subsidiary undertakings from time to time;

- (C) the expression “**offer**” shall have the meaning given in the City Code and the expression “**takeover offer**” shall have the meaning given in section 974 of the Act;
- (D) the expression “**acting in concert**” shall have the meaning given in the City Code;
- (E) a reference to an enactment or statutory provision shall include a reference to any subordinate legislation made under the relevant enactment or statutory provision and is a reference to that enactment, statutory provision or subordinate legislation as from time to time amended, consolidated, modified, re-enacted or replaced;
- (F) references to one gender include other genders;
- (G) words in the singular shall include the plural and vice versa;
- (H) a reference to a “**person**” shall include a reference to an individual, an individual's executors or administrators, a partnership, a firm, a body corporate, an unincorporated association, government, state or agency of a state, local or municipal authority or government body, a joint venture or association (in any case, whether or not having separate legal personality);
- (I) a reference to a Recital, Clause or Schedule (other than to a schedule to a statutory provision) shall be a reference to a recital, clause or schedule to (as the case may be) this Agreement;
- (J) unless otherwise specified, references to times are to London time;
- (K) any reference to a “**day**” (including within the phrase “**Business Day**”) shall mean a period of 24 hours running from midnight to midnight and any reference to a “**month**” shall mean a calendar month;
- (L) references to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be deemed to include what most nearly approximates the English legal term in that jurisdiction;
- (M) references to “**writing**” shall include any modes of reproducing words in any legible form and shall include email except where otherwise expressly stated;
- (N) a reference to “**includes**” or “**including**” shall mean “includes without limitation” or “including without limitation” respectively;
- (O) references to “**£**” and “**pounds sterling**” are to the lawful currency of England;
- (P) the rule known as the *ejusdem generis* rule shall not apply and accordingly general words introduced by the word “other” shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things;

- (Q) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words;
- (R) a reference to any other document referred to in this Agreement is a reference to that other document as amended, varied, novated or supplemented at any time; and
- (S) references to this Agreement include this Agreement as amended or supplemented in accordance with its terms.

1.3 The headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.4 The Schedules form part of this Agreement and shall have the same force and effect as if set out in the body of this Agreement and any reference to this Agreement shall include the Schedules.

## **2. Publication of the Announcement and terms of the Combination**

2.1 The obligations of the parties under this Agreement, other than this Clause 2.1 and Clauses 10 to 21 (inclusive) and 23 and 24, shall be conditional on the release of the Announcement via a Regulatory Information Service at or before 8:00 a.m. on the date of this Agreement, or such later time and date as the parties may agree (and, where required by the City Code, approved by the Panel). This Clause 2.1 and Clauses 10 to 21 (inclusive) and 23 and 24 shall take effect upon execution of this Agreement.

2.2 The principal terms of the Combination shall be as set out in the Announcement, together with such other terms as may be agreed by the parties in writing (save in the case of an improvement to the terms of the Combination, which will be at the absolute discretion of OSB) and, where required by the City Code, approved by the Panel. The terms of the Combination at the date of posting of the Scheme Document shall be set out in the Scheme Document. Should OSB elect, subject to the consent of the Panel and terms of this Agreement, to implement the Combination by way of the Offer, the terms of the Combination shall be set out in the Offer Document.

2.3 Subject to Clause 2.4, the parties acknowledge and agree that:

- (A) Charter Court Shareholders will be entitled to receive and retain:
  - (i) the dividend of 12.7 pence per Charter Court Share in respect of the completed twelve-month period ended 31 December 2018, as announced by Charter Court in the Charter Court Preliminary Results Announcement; and
  - (ii) should completion of the Combination occur after the record date for Charter Court's 2019 half yearly interim dividend in respect of the completed six-month period ending 30 June 2019 (subject to such record date being no earlier than 20 August 2019), any dividend announced, declared, made or paid by Charter Court, prior to the Effective Date, in

respect of the completed six-month period ending 30 June 2019 without any reduction to the Consideration, provided that such dividend shall not exceed one third of the total dividend per Charter Court Share for the completed twelve-month period ended 31 December 2018,

(any such dividend (or part thereof) that is permissible under these criteria being a “**Charter Court Permitted Dividend**”); and

(B) OSB Shareholders will be entitled to receive and retain:

- (i) the dividend of 14.6 pence per OSB Share in respect of the completed twelve-month period ended 31 December 2018, as announced by OSB in the OSB Preliminary Results Announcement; and
- (ii) should completion of the Combination occur after the record date for OSB's 2019 half yearly interim dividend in respect of the completed six-month period ending 30 June 2019 (subject to such record date being no earlier than 20 August 2019), any dividend announced, declared, made or paid by OSB, prior to the Effective Date, in respect of the completed six-month period ending 30 June 2019, provided that such dividend does not exceed one third of the total dividend per OSB Share for the completed twelve-month period ended 31 December 2018,

(any such dividend (or part thereof) that is permissible under these criteria being an “**OSB Permitted Dividend**”).

2.4 Notwithstanding Clause 2.3, if, on or after the date of the Announcement and prior to the Effective Date, any dividend and/or other distribution and/or other return of value is announced, declared, made or paid or becomes payable

(A) in respect of Charter Court Shares, other than a Charter Court Permitted Dividend or a Charter Court Equalising Dividend, or in excess of a Charter Court Permitted Dividend or a Charter Court Equalising Dividend, OSB reserves the right (without prejudice to any right OSB may have, with the consent of the Panel, to invoke Condition 4(H)(ii)) to (at OSB's sole discretion):

- (i) reduce the Consideration by an amount equivalent to all or any part of such excess, in the case of Charter Court Permitted Dividends or Charter Court Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution, in which case any reference in the Announcement or in the Scheme Document (or, in the event that the Combination is to be implemented by means of an Offer, the Offer Document) to the Consideration will be deemed to be a reference to the Consideration as so reduced; and/or
- (ii) declare and pay an equalising dividend to OSB Shareholders so as to reflect the value attributable to all or any part of such excess, in the case of Charter Court Permitted Dividends or Charter Court Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution (any such equalising

dividend declared or paid in accordance with this point (ii) being an “**OSB Equalising Dividend**”); and/or

- (B) in respect of OSB Shares, other than an OSB Permitted Dividend or an OSB Equalising Dividend, or in excess of an OSB Permitted Dividend or an OSB Equalising Dividend, Charter Court shall be entitled to declare and pay an equalising dividend to Charter Court Shareholders so as to reflect the value attributable to all or any part of such excess, in the case of OSB Permitted Dividends or OSB Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution, without any consequential change to the Consideration (a “**Charter Court Equalising Dividend**”).

### **3. Undertakings in relation to satisfaction of the Regulatory Conditions**

- 3.1 OSB shall diligently pursue the Clearances that are required to be obtained by it (or any member of the OSB Group) with a view to satisfying the Regulatory Conditions in respect of itself (and the OSB Group) as soon as is reasonably practicable (and, in any event, so as to enable the Effective Date to occur by the Longstop Date), including by accepting the giving of undertakings by, or the imposition of conditions or orders on, any member of the OSB Group and/or, with respect to the period following the Effective Date, any member of the Charter Court Group, to or by any Relevant Authority if necessary to satisfy any Regulatory Condition in respect of itself (or any member of the OSB Group), provided that, in each case, any such undertaking, condition or order (as applicable) is given or imposed on terms satisfactory to OSB (acting reasonably).

- 3.2 Subject to Clauses 3.5 and 3.6 and except as prohibited by Law or a Relevant Authority, OSB and Charter Court shall (and shall procure that relevant members of the OSB Group and the Charter Court Group respectively shall):

- (A) co-operate with each other in good faith in connection with seeking to obtain the Clearances and provide each other, in a timely manner, with such information, assistance and access as may reasonably be required in order to allow:
- (i) OSB to determine in which jurisdictions and by whom any filing, notification or submission to a Relevant Authority may be necessary for the purposes of obtaining the Clearances; and
  - (ii) OSB, or OSB and Charter Court jointly, or Charter Court (in each case, as may be required by Law or a Relevant Authority) to make such filings, notifications or submissions to the Relevant Authorities as are necessary to be made by them to obtain the Clearances, taking into account all applicable waiting periods; and
- (B) use all reasonable endeavours to ensure that all information necessary for the making of (or responding to any requests for further information consequent upon) any such filings, notifications or submissions (including draft versions), or for determining which Clearances are required to be obtained and by whom, is supplied accurately and promptly to the other party (it being acknowledged that a party shall not be in breach of this obligation as a consequence of any

inaccuracy in any information originating from a third party source (provided that such party is not aware of the inaccuracy)).

- 3.3 Without prejudice to the generality of Clause 3.2, and except as prohibited by Law or a Relevant Authority, OSB shall determine the strategy for obtaining the Clearances (and, in doing so, shall consult with Charter Court in good faith and on a timely basis, taking into account in good faith the reasonable views and comments of Charter Court) (including: (i) the timing and sequencing regarding the discussion, offer or agreement of remedies, if they are required, with Relevant Authorities; and (ii) the determination and scope of any remedies discussed with, offered to or agreed with Relevant Authorities).
- 3.4 Without prejudice to the generality of Clauses 3.2 and 3.3, but subject to Clauses 3.5 and 3.6, and except as prohibited by Law or a Relevant Authority:
- (A) OSB (and/or the relevant members of the OSB Group), Charter Court (and/or the relevant members of the Charter Court Group) or such persons jointly (as may be required by Law or a Relevant Authority) will submit all filings, notifications and/or submissions (as may be required) to each Relevant Authority as soon as is reasonably practicable after the signing of this Agreement and, in any event, within any applicable mandatory time periods where it is necessary to do so to obtain the Clearances (and OSB and Charter Court shall procure that the relevant members of the OSB Group and the Charter Court Group respectively comply with this obligation);
  - (B) OSB and Charter Court shall (and shall procure that the relevant members of the OSB Group and the Charter Court Group, respectively, shall) co-operate in the preparation of all filings, notifications or submissions (as applicable) referred to in this Clause 3 and in relation to the preparation of any other submissions, material correspondence or material communications to any Relevant Authority in connection with the Clearances (including at pre-notification stage);
  - (C) each of OSB and Charter Court shall provide, or procure the provision of, draft copies of all filings, notifications, submissions, material correspondence and material communications intended to be sent to any Relevant Authority by them (and/or any member of the OSB Group or the Charter Court Group, respectively) in relation to obtaining any Clearances (including at pre-notification stage) to the other party at such time as will allow the receiving party a reasonable opportunity to provide comments on such filings, submissions, correspondence and communications before they are submitted or sent and each party shall provide the other party (or procure that the other party are provided) with copies of all such filings, submissions, material correspondence and material communications in the form finally submitted or sent (including, in the case of non-written communications, reasonably detailed summaries of material non-written communications) as soon as possible after being submitted or sent;
  - (D) each of OSB and Charter Court shall (and shall procure that the relevant members of the OSB Group and the Charter Court Group, respectively, shall) have regard in good faith to comments reasonably proposed in a timely manner by the other party (and/or its advisers) on draft copies of filings, notifications, submissions, material correspondence and material communications provided

pursuant to Clause 3.4(C) and provide such supporting documentation as the other party reasonably requires;

- (E) each of OSB and Charter Court shall (and shall procure that the relevant members of the OSB Group and the Charter Court Group, respectively, shall) notify the other party, and provide copies (including, in the case of non-written communications, reasonably detailed summaries of material non-written communications), in a timely manner, of any material communication or material correspondence from any Relevant Authority in relation to obtaining any Clearance;
- (F) each of OSB and Charter Court agrees to keep the other reasonably informed as to the progress of each filing, notification and/or submission (as applicable) submitted to a Relevant Authority by them (and/or any member of the OSB Group or the Charter Court Group, respectively) pursuant to Clause 3, and shall give the other party, where reasonably practicable, reasonable prior notice of any meetings or material calls with any Relevant Authority relating to obtaining any Clearance (including at pre-notification stage) and shall, where reasonably requested by the other party or its advisers and insofar as permitted by the relevant Relevant Authority, permit the other party and/or its advisers: (i) to attend any such meetings or calls; and (ii) to make reasonable oral submissions at such meetings or calls (provided that such oral submissions have been discussed and the substance of which has been agreed in principle in advance); and
- (G) where requested by OSB or Charter Court (acting reasonably), the other party shall use reasonable endeavours to make available appropriate representatives for meetings and telephone calls with any Relevant Authority in connection with the obtaining of any Clearances (including at pre-notification stage).

3.5 Any co-operation and provision of information, access or assistance pursuant to this Clause 3 will be conducted in a manner reasonably designed to preserve applicable lawyer/client and lawyer work product privileges and to limit the exchange of any competitively or commercially sensitive information to outside counsel or otherwise pursuant to the External Anti-Trust/Regulatory Clean Team Arrangements. Nothing in this Clause 3 shall oblige either OSB or Charter Court (or any member of the OSB Group or the Charter Court Group) (for the purposes of this Clause 3.5 and Clause 3.6, the “**disclosing party**”) to disclose any information to the other party:

- (A) which the disclosing party (acting reasonably) considers to be competitively or commercially sensitive (for the avoidance of doubt, any information relating to OSB’s valuation of Charter Court and/or the Charter Court Group will be commercially sensitive);
- (B) which the disclosing party is prohibited from disclosing by Law or a Relevant Authority; or
- (C) where such disclosure would result in the loss of privilege that subsists in relation to such information (including but not limited to legal advice privilege).



- 3.6 Where the circumstances referred to in Clauses 3.5(A) and/or 3.5(B) (as applicable) apply, the disclosing party shall disclose the relevant information:
- (A) to the other party to the extent permitted by Law or a Relevant Authority, on a “clean team only” basis or on an “external counsel only” basis, pursuant to the External Anti-Trust/Regulatory Clean Team Arrangements or as the disclosing party and the other party may otherwise agree; or
  - (B) where disclosure in a manner contemplated by Clause 3.6(A) would reasonably be expected to have a material adverse effect on the disclosing party’s legitimate business interests, directly to a Relevant Authority (and, in such circumstances, where possible and unless prohibited by Law or a Relevant Authority, the disclosing party shall provide to the other party a non-confidential version of such information).
- 3.7 Without prejudice to the generality of Clause 3.2, subject to Clauses 3.5 and 3.6 and except as prohibited by Law or a Relevant Authority:
- (A) each of OSB and Charter Court undertakes to keep the other informed promptly of: (i) progress towards the satisfaction (or otherwise) of the Clearances and any developments which are material or reasonably likely to be material to the obtaining of a Clearance; and (ii) the satisfaction of the Regulatory Conditions; and
  - (B) if either OSB or Charter Court is, or becomes, aware of any matter which might reasonably be considered to be material in the context of the satisfaction (or waiver) of any of the Regulatory Conditions, OSB or Charter Court (as applicable) will, as soon as reasonably practicable, make the substance of any such matter known to the other party and provide such details and further information as the other party may reasonably request.
- 3.8 Without prejudice to Clause 3.1, neither OSB nor Charter Court shall take, or permit to be taken by members of the OSB Group or the Charter Court Group respectively, any action that could reasonably be expected to adversely affect the satisfaction of any of the Regulatory Conditions. Without prejudice to the generality of the foregoing, neither party shall withdraw any filing, notification or submission submitted to any Relevant Authority in respect of any Clearance without the other party’s prior written approval (such approval not to be unreasonably withheld, conditioned or delayed).
- 3.9 OSB shall be responsible for paying any filing fees charged by any Relevant Authority for any filings, notifications or submissions required in relation to the Clearances in order to satisfy the Regulatory Conditions. Except as set out in the immediately preceding sentence, each party shall bear its own legal and other costs in relation to the filings, notification or submissions made by it to a Relevant Authority.
- 3.10 Notwithstanding any other provision in this Clause 3, the obligation of OSB to complete the Combination is subject to satisfaction (or, where permitted, waiver) of the Conditions.

#### 4. Scheme Document

4.1 Where the Combination is being implemented by way of the Scheme, OSB agrees:

- (A) to provide promptly to Charter Court all such information about itself, the OSB Directors and the OSB Group as may be reasonably requested and which is required for the purpose of inclusion in the Scheme Document (including any information required under applicable Law or the City Code regarding the intentions of OSB) and to provide all other assistance and access which may be reasonably required for the preparation of the Scheme Document (and any other document required by applicable Law or under the City Code to be published in connection with the Scheme), including access to, and ensuring that reasonable assistance is provided by, its professional advisers; and
- (B) to procure that the OSB Directors accept responsibility, in the terms required in the City Code, for all of the information in the Scheme Document relating to themselves (and their close relatives, related trusts and other connected persons) or the OSB Group and any statements of the opinion, belief or expectation of the OSB Directors in relation to the Combination or the enlarged OSB Group following the completion of the Combination and any other information in the Scheme Document for which a bidder is required to accept responsibility under applicable Law or the City Code.

#### 5. OSB public documents and shareholder approval

5.1 Subject to Clause 5.2, OSB shall use reasonable endeavours to ensure that the OSB Circular and the OSB Prospectus are dispatched and published, respectively, in accordance with the timetable agreed between the parties in writing from time to time (including to submit drafts of the OSB Circular and the OSB Prospectus for review and comment by the FCA in accordance with the timetable agreed between the parties in writing from time to time), and shall convene the OSB General Meeting for the same time on the same date as the Court Meeting and/or the Charter Court General Meeting, being not later than the Shareholder Approval Longstop Date.

5.2 The parties intend that the OSB Circular and the OSB Prospectus will be published and dispatched to OSB Shareholders at or around the same time as the Scheme Document is dispatched to Charter Court Shareholders. The parties acknowledge that the Panel has consented, under paragraph 3 of Appendix 7 to the City Code, to an extension of the date by which the Scheme Document must be sent to those persons entitled to receive it (the “**Extended Date**” being 14 June 2019). Accordingly, the parties agree that, notwithstanding Clause 5.1 and the foregoing provision in this Clause 5.2, there is no intention or obligation that OSB shall publish and dispatch the OSB Circular and the OSB Prospectus at or around the same time as the Scheme Document, or for OSB to convene the OSB Group General Meeting for the same date as the Court Meeting and/or the Charter Court General Meeting, if the Scheme Document were to be posted before the Extended Date without OSB’s prior written consent.

5.3 The OSB Circular shall contain a unanimous and unconditional recommendation from the OSB Directors that the OSB Shareholders vote in favour of the OSB Resolutions at the OSB General Meeting (the “**OSB Board Recommendation**”), unless the board of

directors of OSB has determined, following consultation with external legal counsel and a financial adviser, that including the OSB Board Recommendation would be inconsistent with any of the respective fiduciary duties of OSB's directors.

5.4 OSB shall not:

- (A) cause or permit the OSB Board Recommendation to be withdrawn, qualified or modified in any adverse manner up to the time the OSB Resolutions have been duly passed;
- (B) cause or permit any announcement to be made, whether before or after the OSB Circular is despatched, intimating that the OSB Directors are no longer unanimously and unconditionally recommending (or no longer intending unanimously and unconditionally to recommend) that the OSB Shareholders vote in favour of the OSB Resolutions;
- (C) fail publicly to reaffirm or re-issue a statement of the intention of the OSB Directors to make the OSB Board Recommendation on an unmodified or unqualified basis before 5:30 p.m. on the fifth Business Day following Charter Court's reasonable request to do so (it being understood that, without prejudice to the requirement in this Clause 5.4(C) for OSB to publicly reaffirm or re-issue a statement of the intention of the OSB Directors to make the OSB Board Recommendation on an unmodified and unqualified basis before 5:30 p.m. on the fifth Business Day following Charter Court's reasonable request to do so, the issue by OSB of any interim holding statement(s) issued to OSB Shareholders following a change of circumstances (so long as any such holding statement contains an express statement that such recommendation is not withdrawn, qualified or modified and does not contain a statement that the OSB Directors intend to withdraw, qualify or modify such recommendation) shall not constitute a withdrawal, qualification or modification of such recommendation for the purposes of this Clause 5.4(C)),

(each such event within Clause 5.4(A) to 5.4(C) (inclusive) being, an "**OSB Board Recommendation Change**"), in each case unless the OSB Directors have determined, following consultation with external legal counsel and a financial adviser, that failing to make the OSB Board Recommendation Change would be inconsistent with any of the respective fiduciary duties of the OSB Directors.

5.5 Charter Court agrees to provide promptly to OSB to the standard that is required for OSB to meet its obligations in relation to the Listing Rules and the Prospectus Rules (and, in the case of a Switch, the Securities Act and the Exchange Act), all such information about itself, the Charter Court Directors and the Charter Court Group as may be reasonably requested and which is required for the purpose of inclusion in the OSB Circular and/or the OSB Prospectus (as applicable) (including any information required under applicable Law, Prospectus Rules, the Listing Rules, the Prospectus Rules and the City Code) and to provide all other assistance and access which may be reasonably required for the preparation of the OSB Circular and/or the OSB Prospectus (as applicable), including access to, and ensuring that reasonable assistance is provided by, its professional advisers.

- 5.6 In the period between the posting of the OSB Circular and the OSB General Meeting, OSB shall keep Charter Court informed, on a regular basis or as soon as reasonably practicable following a request by Charter Court, of the number and content of proxy votes received in respect of the OSB Resolutions.
- 5.7 OSB shall permit a reasonable number of representatives of Charter Court and its advisers to attend the OSB General Meeting.
- 5.8 OSB shall not, without the prior written consent of Charter Court, adjourn or postpone the OSB General Meeting, provided that OSB may adjourn or postpone the OSB General Meeting without the consent of Charter Court:
- (A) if, as of the time for which the OSB General Meeting is originally scheduled (as set out in the OSB Circular), there are insufficient OSB Shares represented (either in person or by proxy) to constitute the quorum necessary to conduct the business of the OSB General Meeting;
  - (B) if it is not reasonably practicable to seek consent from Charter Court because the adjournment or postponement is on account of a force majeure event or an emergency adjournment or postponement;
  - (C) if a motion to adjourn is moved and approved at the OSB General Meeting by OSB Shareholders (other than members of the OSB Board or OSB Shareholders who are party to irrevocable undertakings in relation to the OSB Resolutions);
  - (D) if the adjournment or postponement is required by applicable Law or any failure to adjourn or postpone the OSB General Meeting would reasonably be expected to be a violation of applicable Law;
  - (E) if necessary, due to an adjournment or prospective adjournment of the Court Meeting or the Charter Court General Meeting (but without prejudice to the Condition set out in paragraph 2(B) of Appendix I to the Announcement) to ensure that the OSB General Meeting is held on the same date as the date of the Court Meeting and the Charter Court General Meeting; and/or
  - (F) if the members of the board of OSB Directors determine, in good faith based on the advice of external legal counsel, that failure to adjourn or postpone the OSB General Meeting would be inconsistent with their respective fiduciary duties as directors under applicable Law (including to allow reasonable additional time for the distribution to OSB Shareholders prior to the OSB General Meeting of any supplement or amendment to the OSB Circular and for any applicable notice period in respect of such supplement or amendment to expire).
- 5.9 Subject to the approval of the OSB Resolutions at the OSB General Meeting, OSB shall use all reasonable endeavours to cause all New OSB Shares to be issued to Charter Court Shareholders pursuant to the Combination to be approved for admission to the Official List of the Financial Conduct Authority and admission to trading on the London Stock Exchange.

- 5.10 For so long as the Combination is being implemented by way of the Scheme, OSB shall use reasonable endeavours to cause all New OSB Shares which are issued to Charter Court Shareholders upon the Scheme becoming effective to be issued in reliance on the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act and in reliance on exemptions from registration under state “blue sky” or securities laws.

## 6. Implementation of the Scheme and switching to an Offer

- 6.1 Where the Combination is being implemented by way of the Scheme, and provided that the date set for the Sanction Hearing has been agreed to by OSB in writing (acting reasonably and in good faith) or otherwise set for a date no earlier than the earlier in time to occur of: (i) the date on which Conditions 2(A), 2(B), 3, 4(A), 4(B) and 4(C) have been satisfied (or, where applicable, waived); and (ii) the date that is one month prior to the Longstop Date, OSB undertakes that, before the Sanction Hearing, it shall deliver a notice in writing to Charter Court either:

- (A) confirming the satisfaction or waiver of all Conditions (other than the Scheme Condition); or
- (B) confirming its intention to invoke a Condition (if permitted by the Panel) and providing reasonable details of the event which has occurred (or failed to occur), or circumstances which have arisen, which OSB reasonably considers entitles it to invoke the Condition (and, in the case of any Condition to which Rule 13.5 of the City Code applies, setting out why OSB considers such event or circumstances to be of material significance to OSB in the context of the Offer for the purposes of Rule 13.5),

and, in circumstances where OSB confirms the satisfaction or waiver of all Conditions (other than the Scheme Condition), OSB agrees that Charter Court shall be permitted to take all necessary steps to procure that the Sanction Hearing is duly held as soon as reasonably practicable thereafter.

- 6.2 If the Combination is being implemented by way of the Scheme (and to the extent that all Conditions (other than the Scheme Condition) have been satisfied or waived prior to or on the date of the Sanction Hearing), OSB shall instruct counsel to appear on its behalf at the Sanction Hearing and undertake to the Court to be bound by the terms of the Scheme in so far as it relates to OSB.
- 6.3 OSB shall be entitled, with the consent of the Panel, to implement the Combination by way of the Offer rather than the Scheme, whether before or after the posting of the Scheme Document (such election being a “**Switch**”) if:
- (A) Charter Court provides its prior written consent (an “**Agreed Switch**”), in which case Clause 6.4 shall apply;
  - (B) a third party announces a firm intention to make an offer for the issued and to be issued ordinary share capital of Charter Court (whether including or excluding any Charter Court Shares held in treasury) which is recommended in whole or in part by the board of Charter Court Directors;

- (C) the board of Charter Court Directors: (i) does not include the Charter Court Board Recommendation in the Scheme Document (or, if different, the document(s) convening the Charter Court General Meeting and/or the Court Meeting (as applicable)); (ii) withdraws, qualifies or adversely modifies the Charter Court Board Recommendation of the Scheme; or (iii) prior to publication of the Scheme Document (and/or the document(s) convening the Charter Court General Meeting and/or the Court Meeting (as applicable), if different), withdraws, qualifies or adversely modifies their intention to give the Charter Court Board Recommendation in any such document, including making any public statement to such effect, or failing to publicly reaffirm or re-issue a statement of its intention to make the Charter Court Board Recommendation on an unmodified and unqualified basis before 5:30 p.m. on the fifth Business Day following OSB's reasonable request to do so (it being understood that, without prejudice to the requirement in this Clause 6.3(C) for the board of Charter Court Directors to publicly reaffirm or re-issue a statement by of their intention to make the Charter Court Board Recommendation on an unmodified and unqualified basis before 5:30 p.m. on the fifth Business Day following OSB's reasonable request to do so, the issue by Charter Court of any interim holding statement(s) issued to Charter Court Shareholders following a change of circumstances (so long as any such holding statement contains an express statement that such recommendation is not withdrawn, qualified or modified and does not contain a statement that the Charter Court Directors intend to withdraw, qualify or modify such recommendation) shall not constitute a withdrawal, qualification or modification of such recommendation for the purposes of this Clause 6.3(C));
- (D) the Court Meeting and/or the Charter Court General Meeting are or is not held on or before the 22nd day after the expected date of such meetings as set out in the Scheme Document (or, if different, the document(s) convening the Charter Court General Meeting and/or the Court Meeting (as applicable)) (including, where delayed pursuant to Clause 6.3(D)(i), the supplementary circular) (or such later date as may be agreed in writing between the parties with the consent of the Panel and the approval of the Court (if such approval is required)) or either or both of the Court Meeting and/or the Charter Court General Meeting (as applicable) is adjourned, unless:
- (i) a supplementary circular is required to be published in connection with the Scheme, and, as a result, the Court Meeting and the Charter Court General Meeting cannot be held by such date in compliance with the City Code and any other applicable Law, provided that Charter Court has used all reasonable endeavours to publish the supplementary circular as soon as reasonably practicable after the date on which the requirement to publish a supplementary circular arises;
  - (ii) OSB has committed a breach of Clause 4 or Clause 5 and such breach has caused the delay; or
  - (iii) OSB has adjourned or postponed the OSB General Meeting in accordance with Clause 5.8 (other than in accordance with Clause 5.8(E)) and the delay to the Court Meeting and the Charter Court General Meeting is required in order to ensure the OSB General Meeting is held

on the same date as the date of the Court Meeting and the Charter Court General Meeting; or

- (E) Charter Court is in material breach of any term of this Agreement, provided that:
  - (i) OSB shall first have notified Charter Court in writing of such breach and of its intention to effect a Switch; and
  - (ii) such breach remains unremedied following the expiry of ten Business Days from the date of receipt of such written notification.

6.4 In the event of an Agreed Switch:

- (A) the Acceptance Condition shall be set at 75 per cent. of the Charter Court Shares to which the offer relates (or such lesser percentage as may be agreed between the parties in writing after, to the extent necessary, consultation with the Panel, being in any case more than 50 per cent. of the Charter Court Shares to which the offer relates);
- (B) OSB shall not take any action which would cause the Offer to lapse, to be withdrawn, or not to proceed, in each case for non-fulfilment of the Acceptance Condition, prior to the 60th day after publication of the Offer Document, and OSB shall ensure that the Offer remains open for acceptances until such time;
- (C) OSB shall ensure that the only conditions of the Offer shall be the Conditions (subject to replacing the Scheme Condition with the Acceptance Condition referred to in Clause 6.4(A)) (unless the parties agree otherwise in writing);
- (D) OSB shall prepare the Offer Document and shall consult reasonably with Charter Court in relation thereto and shall allow Charter Court a reasonable opportunity to consider the draft Offer Document for review and comment, and shall consider in good faith comments reasonably and promptly proposed by Charter Court;
- (E) OSB agrees to seek Charter Court's approval of the contents of the information on Charter Court contained in the Offer Document before it is published, and to afford Charter Court sufficient time to consider such documents, in order to give its approval (such approval not to be unreasonably withheld or delayed). OSB shall only publish the Offer Document once the Offer Document is in a form which is satisfactory to OSB and Charter Court (both acting reasonably); and
- (F) OSB shall keep Charter Court informed, on a confidential regular basis and in any event within three Business Days following receipt of a written request from Charter Court, of the number of holders of Charter Court Shares that have validly returned their acceptance or withdrawal forms or incorrectly completed their withdrawal or acceptance forms and the identity of such Charter Court Shareholders.

6.5 In the event of any Switch, the parties agree that all provisions of this Agreement relating to the Scheme and its implementation shall apply to the Offer or its implementation *mutatis mutandis*.

## 7. Conduct of business

7.1 Subject to Clauses 7.2 and 7.3, except: (i) as expressly contemplated by this Agreement and/or the Announcement (as applicable); (ii) as consented to in writing by Charter Court (such consent not to be unreasonably withheld, conditioned or delayed); or (iii) as required by applicable Law or the terms of any contract with a third party which has been disclosed to Charter Court (in hard copy or electronic form) or publicly announced before the date of this Agreement, from the date hereof until the sooner of the Effective Date and the date on which this Agreement terminates in accordance with its terms, OSB shall not (and shall procure that no member of the OSB Group shall):

(A) other than in the ordinary course of business and consistent with past practice (including, without limitation, the granting of options or awards in respect of OSB Shares or selling OSB Shares to directors, officers and employees, in the normal and ordinary course and in accordance with the OSB Group's existing incentive plans that have been disclosed to Charter Court, and allotting and issuing any OSB Shares to the extent necessary to satisfy any such options or awards vesting or due to be settled under such plans):

(i) allot or issue any OSB Shares or any securities convertible into, or exchangeable for, OSB Shares; or

(ii) grant any option over or right to subscribe for any OSB Shares or any securities convertible into, or exchangeable for, OSB Shares,

in each case that are allotted, issued or granted at less than the fair market value of the relevant share, security, option or right on the date of allotment, issuance or grant; or

(B) split, combine, reclassify, consolidate or sub-divide any of its shares or amend its memorandum or articles of association, in each case, in any manner that would or could reasonably be expected to have an adverse impact on the value of the New OSB Shares;

(C) authorise, declare, pay or make any dividend or other distribution, or undertake any form of return of capital with respect to the OSB Shares (whether in cash, assets, shares or other securities);

(D) undertake any other form of capital reorganisation not otherwise referred to in this Clause 7.1 which would or could reasonably be expected to have an adverse impact on the value of the New OSB Shares; or

(E) agree, resolve, commit or announce publicly any agreement or intention to do any of the foregoing (as applicable), whether conditionally or unconditionally.



7.2 Clause 7.1 shall not apply to any act, transaction or arrangement between OSB or a wholly-owned member of the OSB Group and another wholly-owned member of the OSB Group.

7.3 Notwithstanding Clause 7.1, OSB may:

(A) continue to authorise, declare, pay or make dividends and other distributions in the ordinary course and consistent with past practice over the previous two years (including as regards the record and payment dates) and/or OSB's dividend policy or proposals (including as stated in the Announcement);

(B) authorise, declare, pay and make dividends and other distributions in accordance with the Announcement and as otherwise stated in Clause 2; and

(C) authorise, declare, pay and make dividends and other distributions with reference to a record date after the Effective Date (so that, if the Combination is completed, the New OSB Shares rank for participation in such dividends or distributions rateably and equally with all other shares of OSB then issued).

7.4 Following completion of the Combination, the OSB Directors shall determine the name of any new holding company for the Combined Group and, in doing so, shall consider a name which recognises the existing names of the OSB and Charter Court businesses.

## **8. Employees and share plans**

8.1 The parties agree that the provisions of Schedule 2 (Employee-related Matters) with respect to certain employee-related matters shall be implemented in accordance with that Schedule.

8.2 OSB and Charter Court agree that if the Combination is implemented by way of the Scheme, the timetable for its implementation shall be fixed so as to enable options and awards under the relevant Charter Court Share Plans which, as outlined in Schedule 2, provide for exercise and/or vesting upon the sanction of the Scheme by the Court to be exercised or vest in sufficient time to enable the resulting Charter Court Shares to be bound by the Scheme on the same terms as Charter Court Shares held by Charter Court Shareholders.

## **9. Directors' and officers' insurance**

9.1 If and to the extent such obligations are permitted by Law, for six years after the Effective Date, OSB shall procure that the members of the Charter Court Group honour and fulfil their respective obligations (if any) existing as at the date of this Agreement to indemnify their respective directors and officers and to advance reasonable expenses, in each case with respect to matters existing or occurring at or prior to the Effective Date.

9.2 With effect from the completion of the Combination, OSB shall procure the provision of directors' and officers' liability insurance cover for both current and former directors and officers of the Charter Court Group, including directors and officers who retire or whose employment is terminated (directly or indirectly) in connection with the Combination, for acts and omissions up to and including the Effective Date, in the form of run-off cover for

a period of six years following the Effective Date. Such insurance cover shall be with reputable insurers and provide cover, in terms of amount and breadth, that is substantially the same as that provided under the Charter Court Group's directors' and officers' liability insurance as at the date of this Agreement (as disclosed to OSB prior to the date of this Agreement).

- 9.3 Each of the directors and officers of the Charter Court Group to which Clauses 9.1 and 9.2 apply will have the right, pursuant to the Contracts (Rights of Third Parties) Act 1999, to enforce his or her rights against OSB under Clauses 9.1 and 9.2.

## **10. City Code and the Listing Rules**

10.1 Nothing in this Agreement shall in any way limit the parties' obligations under the City Code, and any uncontested rulings of the Panel as to the application of the City Code in conflict with the terms of this Agreement shall take precedence over such terms.

10.2 Nothing in this Agreement shall oblige:

- (A) Charter Court to take any action which the Panel determines would not be permitted by Rule 21.2 of the City Code; or
- (B) Charter Court or the Charter Court Directors to recommend an Offer or a Scheme proposed by OSB or any member of the OSB Group.

## **11. Termination**

11.1 Subject to Clauses 11.2 and 11.3, this Agreement shall terminate with immediate effect, and all rights and obligations of the parties under the Agreement shall cease forthwith, if one or more of the following occurs:

- (A) if such termination is agreed in writing between the parties;
- (B) if the Announcement is not released at or before the time specified in Clause 2.1 (unless prior to that time the parties have agreed another time and date in accordance with that Clause);
- (C) upon service of written notice by OSB on Charter Court if one or more of the following occurs:
  - (i) the Scheme Document (or Offer Document, as the case may be), or (if different) the document convening the Charter Court General Meeting or the Court Meeting, does not include the Charter Court Board Recommendation, or Charter Court makes an announcement prior to the publication of such document(s) that: (a) the board of Charter Court Directors no longer intends to make the Charter Court Board Recommendation or intend to qualify or modify such recommendation; (b) it will not convene the Court Meeting and/or the Charter Court General Meeting (as applicable); (c) it will adjourn, or intends to adjourn the Court Meeting and/or the Charter Court General Meeting (as applicable);

and/or (d) it does not intend to post the Scheme Document or (if different) the document convening the Charter Court General Meeting; or

- (ii) at any time after the date of this Agreement up to the time all the Charter Court Resolutions have been duly passed, the Charter Court Directors withdraw, qualify or adversely modify the Charter Court Board Recommendation or fail to publicly reaffirm or re-issue such unanimous and unqualified recommendation (or, in the period prior to publication of the Scheme Document (or the Offer Document, as the case may be) or (if different) the document convening the Charter Court General Meeting or the Court Meeting, withdraw, qualify or modify their intention to give the Charter Court Board Recommendation in any such document, including making any public statement to such effect, or fail to publicly reaffirm or re-issue a statement of their intention to make the Charter Court Board Recommendation on an unmodified and unqualified basis) before the earlier of: (a) 5:30 p.m. on the fifth Business Day following OSB's reasonable request to do so; or (b) the time of the start of the Court Meeting (it being understood that the issue of any holding statement(s) issued to Charter Court Shareholders following a change of circumstances (so long as any such holding statement contains an express statement that such recommendation is not withdrawn, qualified or modified and does not contain a statement that the Charter Court Directors intend to withdraw, qualify or modify such recommendation) shall not constitute a withdrawal, qualification or modification of such recommendation for purposes of this Clause);

(D) upon service of written notice by Charter Court on OSB if one or more of the following occurs:

- (i) an OSB Board Recommendation Change has occurred;
- (ii) an Adverse OSB Shareholder Vote has occurred; or
- (iii) if a Competing Proposal completes, becomes effective, or is declared or becomes unconditional in all respects;

(E) upon service of written notice by OSB on Charter Court, if the Combination is being implemented by way of the Scheme and:

- (i) the Scheme Document is not posted by the Extended Date agreed by the parties and consented to by the Panel (other than in circumstances where the same is caused by a breach by OSB of Clause 4 or the parties have, with the consent of the Panel, agreed a later date for despatch of the Scheme Document);
- (ii) the Court Meeting and/or the Charter Court General Meeting is not held on or before the later of: (i) the 22nd day after the expected date of such meetings as set out in the Scheme Document; and (ii) the Shareholder Approval Longstop Date (or such later date as may be agreed in writing

between the parties with the consent of the Panel and the approval of the Court (if such approval is required));

(iii) the Sanction Hearing is not held on or before the later of: (i) the 22nd day after the expected date of such hearing as set out in the Scheme Document; and (ii) thirty days after all the Conditions (other than the Scheme Condition) have been satisfied or waived (or such later date as may be agreed in writing between the parties with the consent of the Panel and the approval of the Court (if such approval is required));

(F) upon service of written notice by OSB on Charter Court or Charter Court on OSB, in each case if the Combination is being implemented by way of the Scheme and:

(i) the Scheme is not approved by the requisite majority of the Charter Court Shareholders at the Court Meeting or the Charter Court Resolutions are not passed by the requisite majority of the Charter Court Shareholders at the Charter Court General Meeting; or

(ii) the Court refuses to sanction the Scheme or grant the Scheme Order at the Sanction Hearing;

(G) upon service of written notice by OSB on Charter Court stating that:

(i) any Condition which has not been waived is (or has become) incapable of satisfaction by the Longstop Date and, notwithstanding that it has the right to waive such Condition, OSB will not do so;

(ii) any Condition which is incapable of waiver has become incapable of satisfaction by the Longstop Date,

in each case in circumstances where the invocation of the relevant Condition (or confirmation that the Condition is incapable of satisfaction, as appropriate) is permitted by the Panel;

(H) upon service of written notice by OSB on Charter Court if a Competing Proposal: (i) completes, becomes effective, or is declared or becomes unconditional in all respects; or (ii) is recommended in whole or in part by the board of Charter Court Directors;

(I) if the Combination (whether implemented by way of the Scheme or the Offer, as the case may be) is withdrawn, lapses or terminates on or prior to the Longstop Date (other than where such withdrawal, lapse or termination is as a result of the exercise of OSB's right to effect a Switch); or

(J) on the Effective Date.

11.2 Termination of this Agreement shall be without prejudice to the rights of any of the parties which have arisen before termination.

11.3 The whole of this Clause 11, Clauses 12 to 21 (inclusive) and 23 and 24 and, in circumstances where this Agreement is terminated on or after the Effective Date, Clause 8 and Schedule 2 (Employee-related Matters), shall survive termination of this Agreement.

## **12. Representations and Warranties**

12.1 Each party represents to the other party on the date of this Agreement that:

- (A) it has the requisite power and authority to enter into and perform its obligations under this Agreement;
- (B) this Agreement constitutes its binding obligations in accordance with its terms; and
- (C) the execution and delivery of, and performance of its obligations under, this Agreement will not:
  - (i) result in any breach of any provision of its constitutional documents;
  - (ii) result in a breach of, or constitute a default under, any instrument to which it is a party or by which it is bound; or
  - (iii) result in a breach of any order, judgment, or decree of any court or governmental agency to which it is a party or by which it is bound.

## **13. Notices**

13.1 A notice under this Agreement shall only be effective if it is in writing.

13.2 Notices under this Agreement shall be sent to a party: (i) by hand delivery to its physical address set out below; (ii) by reputable next day international courier to its physical address set out below; or (iii) by email to the email address(s) set out below, and, in each case, shall be marked for the attention of the individual(s) set out below:

(A) OSB:

Attention: Jason Elphick  
Physical address: OSB House, Quayside, Chatham, Kent ME4 4QZ  
Email address: jason.elphick@osb.co.uk

with a copy to:

Attention: Roland Turnill and Paul Dickson  
Physical address: Slaughter and May, One Bunhill Row, London EC1Y 8YY  
Email address: roland.turnill@slaughterandmay.com  
paul.dickson@slaughterandmay.com

(B) Charter Court:

Attention: Ian Lonergan and Sebastien Maloney  
Physical address: Charter House, Brabourne Avenue, Wolverhampton  
Business Park, Wolverhampton WV10 6AE  
Email address: ian.lonergan@chartercourtfss.co.uk  
sebastien.maloney@chartercourtfss.co.uk

with a copy to:

Attention: Simon Branigan and George Yiend  
Physical address: Linklaters, One Silk Street, London EC2Y 8HQ  
Email address: simon.branigan@linklaters.com  
george.yiend@linklaters.com

- 13.3 A party may change its notice details on giving notice to the other party of the change in accordance with the notice provisions in Clauses 13.1 and 13.2. That notice shall only be effective on the date falling one Business Day after the notification has been received in accordance with Clause 13.4 or such later date as may be specified in the notice.
- 13.4 Subject to Clause 13.5, any notice given under this Agreement shall, in the absence of earlier receipt, be deemed to have been duly given:
- (A) if delivered by hand, on delivery;
  - (B) if sent by reputable next day international courier, on signature of a delivery receipt; or
  - (C) if sent by email, when sent.
- 13.5 Any notice given under this Agreement outside the period between 9:00 a.m. and 5:00 p.m. ("**Working Hours**") shall be deemed not to have been given until the start of the next period of Working Hours.
- 13.6 Each party shall, where it sends a notice by email to the other party, within two Business Days send a hard copy of the relevant notice via hand delivery or reputable next day international courier to the physical address of the other party.
- 13.7 The provisions of this Clause 13 shall not apply in relation to the service of any claim form, application notice, order, judgment or other document relating to any proceedings, suit or action arising out of or in connection with this Agreement, whether contractual or non-contractual.

#### **14. Remedies and waivers**

- 14.1 No delay or omission by any party to this Agreement in exercising any right, power or remedy provided by law or under this Agreement shall:
- (A) affect that right, power or remedy; or
  - (B) operate as a waiver of it.

- 14.2 The single or partial exercise of any right, power or remedy provided by law or under this Agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.
- 14.3 The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.
- 14.4 Without prejudice to any other rights and remedies which either party may have, each party acknowledges and agrees that damages alone may not be an adequate remedy for any breach by either party of the provisions of this Agreement and each party shall be entitled to seek the remedies of injunction, specific performance and other equitable remedies, for any threatened or actual breach of any such provision of this Agreement by the other party and no proof or special damages shall be necessary for the enforcement by either party of the rights under this Agreement.

## **15. Variation**

No variation of this Agreement shall be valid unless it is in writing (which, for this purpose, does not include email) and signed by or on behalf of each of the parties.

## **16. Invalidity**

- 16.1 The parties agree that, if the Panel determines that any provision of this Agreement that requires Charter Court to take or not take action, whether as a direct obligation or as a condition to any other person's obligation (howsoever expressed), is not permitted by Rule 21.2 of the City Code, that provision shall have no effect and shall be disregarded.
- 16.2 If, at any time, any provision of this Agreement is, or becomes, illegal, invalid or unenforceable in any respect under the law of any jurisdiction, such illegality, invalidity or unenforceability shall not affect or impair:
- (A) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or
  - (B) the legality, validity or enforceability under the law of any other jurisdiction of that or any other provision of this Agreement,

and, if such provision would be valid and enforceable if deleted in whole or in part or reduced in application, such provisions shall apply with such deletion or reduction as may be necessary to make it valid and enforceable.

## **17. Entire Agreement**

- 17.1 Save for the non-disclosure agreement between OSB and Charter Court dated 19 November 2018, the clean team confidentiality agreement dated 1 February 2019 and the confidentiality and joint defence agreement dated 14 February 2019 (each of which remains in force), this Agreement constitutes the whole and only agreement between the parties relating to the Combination and supersedes any previous agreement whether written or oral between the parties in relation to the Combination.

- 17.2 Except in the case of fraud, each party acknowledges that it is entering into this Agreement in reliance upon only this Agreement and that it is not relying upon any pre-contractual statement that is not set out in this Agreement.
- 17.3 Except in the case of fraud, no party shall have any right of action against the other party arising out of or in connection with any pre-contractual statement except to the extent that it is repeated in this Agreement.
- 17.4 For the purposes of this Clause 17, “**pre-contractual statement**” means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this Agreement, made or given by any person at any time before the date of this Agreement.

## **18. Language**

Each notice or other communication under or in connection with this Agreement shall be in English.

## **19. Contracts (Rights of Third Parties) Act 1999**

- 19.1 Save as set out in Clause 9.3, the parties do not intend that any term of this Agreement should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.
- 19.2 Notwithstanding Clause 9.3, the rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this Agreement are not subject to the consent of any other person.

## **20. Assignment**

No party shall be entitled to assign (whether absolutely or by way of security and whether in whole or in part), transfer, mortgage, charge, declare itself a trustee for a third party of, or otherwise dispose of (in any manner whatsoever) the benefit of this Agreement (or any part of it) or sub-contract in any manner whatsoever its performance under this Agreement without the prior written consent of the other party.

## **21. Costs and expenses**

Each party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this Agreement and any matter contemplated by it.

## **22. Further assurance**

Each party shall, at its own cost, use reasonable endeavours to do and execute and perform all such further deeds, documents, assurances, acts and things as may reasonably be required to give effect to this Agreement, and procure the doing of all such acts by any relevant third party.



## **23. Counterparts**

- 23.1 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.
- 23.2 Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.
- 23.3 Delivery of an executed counterpart signature page of this Agreement by email (.pdf) shall be as effective as delivery of a manually executed counterpart of this Agreement. In relation to each counterpart, upon confirmation by or on behalf of the signatory that the signatory authorises the attachment of such counterpart signature page on the final text of the Agreement, such counterpart signature page shall take effect with such final text as a complete authorised counterpart.

## **24. Governing law and jurisdiction**

- 24.1 This Agreement is to be governed by and construed in accordance with English law. Any matter, claim or dispute arising out of or in connection with this Agreement, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.
- 24.2 The parties irrevocably submit to the exclusive jurisdiction of the courts of England and Wales in respect of any matter, claim or dispute arising out of or in connection with this Agreement, whether contractual or non-contractual.

**SCHEDULE 1**  
**Form of Announcement**

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF THAT JURISDICTION**

**THIS ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS OR PROSPECTUS EQUIVALENT DOCUMENT AND INVESTORS SHOULD NOT MAKE ANY INVESTMENT DECISION IN RELATION TO THE NEW OSB SHARES EXCEPT ON THE BASIS OF THE INFORMATION IN THE SCHEME DOCUMENT, THE PROSPECTUS AND THE OSB CIRCULAR WHICH ARE PROPOSED TO BE PUBLISHED IN DUE COURSE**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**FOR IMMEDIATE RELEASE**

**14 March 2019**

**Recommended all-share combination  
of  
OneSavings Bank plc  
and  
Charter Court Financial Services Group plc**

**Summary**

The Boards of OneSavings Bank plc ("**OSB**") and Charter Court Financial Services Group plc ("**Charter Court**") are pleased to announce that they have reached agreement on the terms of a recommended all-share combination to be effected by means of a scheme of arrangement between Charter Court and the Charter Court Shareholders under Part 26 of the Companies Act 2006 (the "**Combination**").

- Under the terms of the Combination, each Charter Court Shareholder will be entitled to receive:

**for each Charter Court Share: 0.8253 New OSB Shares**

- Immediately following completion of the Combination, Charter Court Shareholders will own approximately 45 per cent. of the share capital of the Combined Group (based on the existing ordinary issued share capital of OSB and the fully diluted share capital of Charter Court) and will share in the benefits accruing to the Combined Group via the expected realisation of meaningful cost synergies.
- In addition, subject to the further terms set out in paragraph 18 of the full announcement, Charter Court Shareholders will be entitled to receive Charter Court Permitted Dividends without any reduction in the Consideration.

**Strategic rationale**

- The Boards of OSB and Charter Court believe the Combination has a strong strategic rationale, creating a highly compelling opportunity to:

- *Create a leading specialist lender in the UK with greater scale and resources to deploy on growth opportunities:* The Combined Group is expected to have the scale and resources to better compete in an increasingly mature and competitive market to deliver sustainable returns, and have the resources to better access future organic and inorganic opportunities;
- *Leverage complementary strengths to create a comprehensive and diversified platform across product capabilities, brands and team cultures:* The Combined Group is expected to benefit from bringing together the complementary strengths of OSB and Charter Court, across product capabilities and expertise, brands and team cultures, whilst maintaining a multi-brand model;
- *Leverage complementary underwriting capabilities to enhance the customer proposition:* Through bringing OSB's and Charter Court's credit expertise together, with a best-of-both approach, it is expected that the Combined Group will be able to leverage Charter Court's automation-enabled underwriting approach in conjunction with OSB's bespoke portfolio-based underwriting capabilities and in-house real estate expertise, increasing underwriting efficiency to better serve borrower needs across complementary brands;
- *Establish a well-balanced, resilient and diversified retail-wholesale funding platform:* The funding platform of the Combined Group is expected to benefit from bringing together OSB's retail deposit franchise and Charter Court's online savings deposit platform, and also sophisticated securitisation funding and balance sheet management capabilities;
- *Maintain two leading, independent distribution platforms to create an enhanced proposition to the broker community:* The distribution platforms of the Combined Group will have broader coverage of the specialist mortgage sector through both OSB's and Charter Court's lending brands, enabling the Combined Group to deliver an enhanced and comprehensive range of complementary products with no disruption to the broker distribution platforms;
- *Maintain operational centres of excellence to drive service levels and platform efficiency:* Maintenance of core processes and capabilities on a best-in-class basis across existing locations is expected to drive delivery of cost efficiencies and operational enhancements; and
- *Realise meaningful cost synergies with further potential benefits:* The OSB Board, having reviewed and analysed the potential cost synergies of the Combination, and taking into account the factors they can influence, believes that the Combination will result in £22 million of pre-tax cost synergies on an annual run-rate basis (based on the pro forma results of the Combined Group for the year ended 31 December 2018) by the third anniversary of the

completion of the Combination.<sup>1</sup> The OSB Board expects approximately 30% of these cost synergies to be achieved by the end of the first 12-month period following completion of the Combination, approximately 75% by the end of the second 12-month period following completion of the Combination and the full run-rate by the third anniversary of completion of the Combination. On this basis, approximately 10% of the cost synergies are expected to be recognised in the first 12-month period following completion of the Combination, approximately 40% in the second 12-month period following completion of the Combination and approximately 90% in the 12-month period ending on the third anniversary of completion of the Combination.

### **Financial benefits and effects**

- The Boards of OSB and Charter Court believe the Combination has a strong financial rationale, and expects the Combination to have the following effect:
  - *Diversified, high quality loan book and funding platform:* The Combined Group is expected to benefit from a more diversified, high quality specialist mortgage loan book and a resilient and diversified funding platform. The Boards of OSB and Charter Court believe that the increased scale of the Combined Group and the resilient and diversified funding model should enable the Combined Group to refinance its term funding scheme balances on more advantageous terms;
  - *Robust pro forma capital position:* The Combined Group is expected to have a strong capital position following the completion of the Combination. The Boards of OSB and Charter Court believe the Combined Group's greater scale will improve its ability to optimise and diversify its capital resources;
  - *MREL:* The Combination is expected to result in the Combined Group being subject to the Bank of England's MREL requirements for bail-in resolution entities as a result of the combined balance sheet size. The Boards of OSB and Charter Court have considered the implications of MREL on the Combined Group in their assessment of the Combination, and believe the Combined Group is well placed to address future MREL requirements on a combined basis. Additionally, the Boards of OSB and Charter Court believe the Combined Group will be better placed to address MREL requirements than if OSB and Charter Court were each to have an MREL requirement on a standalone basis as a result of future growth;
  - *Strong capital generation to support a strong dividend policy:* Given the expected strong capital generation, and consistent with the current dividend policy of OSB and Charter Court, the Boards of OSB and Charter Court expect the Combined Group, following the completion of the Combination, to adopt a

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<sup>1</sup> This statement constitutes a quantified financial benefits statement for the purposes of the City Code. Please see Appendix IV for further details.

policy of paying out at least 25% of underlying profit after taxation attributable to ordinary shareholders;

- *Meaningful cost synergies with further potential benefits:* The delivery of meaningful cost synergies and enhanced earnings potential from the Combination is expected to support improved capital generation in the future and create additional shareholder value. The Board of OSB is confident that, as a direct result of the Combination, the Combined Group will generate meaningful cost synergies and create additional shareholder value. The OSB Board, having reviewed and analysed the potential cost synergies of the Combination, and taking into account the factors they can influence, believes that the Combination will result in £22 million of pre-tax cost synergies on an annual run-rate basis (based on the pro forma results of the Combined Group for the year ended 31 December 2018) by the third anniversary of the completion of the Combination<sup>2</sup>; and
- *Earnings accretive to shareholders of OSB and Charter Court:* The Combination is anticipated to be earnings accretive for the shareholders of both OSB and Charter Court in 2021 (excluding the additional financing costs related to the phased implementation of the Combined Group's expected MREL requirement).<sup>3</sup> The Directors of OSB believe that the expected increase in financing costs as a result of the Combined Group's expected MREL requirement (excluded in the assessment of earnings accretion mentioned above) would be more than offset by the expected pre-tax cost synergies on an annual run-rate basis of £22 million (such cost synergies being based on the pro forma results of the Combined Group for the year ended 31 December 2018).<sup>4</sup> In addition, the Boards of OSB and Charter Court believe that, given the growth profile of both businesses, the standalone cost base of each entity would have grown over time. As a result, over time, the quantified cost synergies described above could potentially be driven across a growing cost base and future planned expenses could potentially be avoided. These potential additional financial benefits have not been quantified for reporting under the City Code.

## The Combined Group

- Subject to regulatory approvals, the Board of the Combined Group will comprise a mixture of the Boards of OSB and Charter Court, namely:

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<sup>2</sup> This statement constitutes a quantified financial benefits statement for the purposes of the City Code. Please see Appendix IV for further details.

<sup>3</sup> Earnings accretive on an underlying basis. This statement is not intended to be, and should not be construed as, a profit forecast for the purposes of the City Code.

<sup>4</sup> Run-rate expected to be achieved by the third anniversary of the completion of the Combination. This statement constitutes a quantified financial benefits statement for the purposes of the City Code. Please see Appendix IV for further details.

- Sir Malcolm Williamson, currently Chairman of Charter Court, will assume the Chairmanship of the Combined Group and David Weymouth, currently Chairman of OSB, will become the Deputy Chairman of the Combined Group and lead a Board Integration Committee. Andy Golding and April Talintyre, currently CEO and CFO of OSB respectively, will retain their positions of CEO and CFO respectively in the Combined Group;
  - four non-executive directors of Charter Court will join the six current non-executive directors on the OSB Board, with Noël Harwerth joining as Senior Independent Director;
  - Peter Elcock will take on the group risk role with responsibility for the integration and convergence of the risk frameworks and function. Hasan Kazmi will remain CRO for the existing OSB business;
  - Ian Lonergan, currently CEO of Charter Court, will assume the role of Integration Director of the Combined Group for a period of up to 18 months to facilitate bringing together OSB's and Charter Court's capabilities to deliver the expected benefits of the Combination; and
  - Sebastien Maloney, currently CFO of Charter Court, will be retained as an adviser to the Combined Group for a period of up to 12 months to facilitate the integration of Charter Court's in-house capital markets and balance sheet management capabilities into the Combined Group in order to best establish the potential use of these capabilities across the enlarged balance sheet.
- Upon completion of the Combination, OSB intends that the Combined Group will maintain its current locations and be headquartered in Chatham, United Kingdom. Charter Court's current headquarters in Wolverhampton will be retained as a centre of excellence.
  - OSB's shares will continue to be listed on the premium listing segment of the Official List and will continue to trade on the London Stock Exchange's Main Market for listed securities.
  - Given the expected strong capital generation, and consistent with the current dividend policy of OSB and Charter Court, the Boards of OSB and Charter Court expect the Combined Group, following the completion of the Combination, to adopt a policy of paying out at least 25% of underlying profit after taxation attributable to ordinary shareholders.

#### **Irrevocables and statements of support**

- OSB has received irrevocable undertakings from the Charter Court Directors who hold Charter Court Shares and Elliott to vote in favour of the Scheme at the Court Meeting and the Charter Court Resolutions at the Charter Court General Meeting in respect of a total of 79,223,469 Charter Court Shares, representing, in aggregate, approximately 33.10 per cent. of the ordinary issued share capital of Charter Court on 13 March 2019, being the last Business Day before the date of this Announcement. In addition, OSB has received a letter of intent from Merian to vote in favour of the Scheme at the Court Meeting and the Charter Court Resolutions to be proposed at the Charter Court General Meeting in respect of 34,834,451 Charter Court Shares, representing, in aggregate approximately 14.56 per cent. of Charter Court's issued share capital. Further details of these irrevocable undertakings

and the letter of intent (including the circumstances in which they will fall away) are set out in Appendix III to this Announcement.

- Charter Court has received irrevocable undertakings from the OSB Directors who hold OSB Shares to vote in favour of the OSB Resolutions at the OSB General Meeting in respect of a total of 1,063,918 OSB Shares, representing, in aggregate, approximately 0.44 per cent. of the ordinary issued share capital of OSB on 13 March 2019, being the last Business Day before the date of this Announcement. Charter Court has also received a letter of intent from Merian to vote in favour of the OSB Resolutions to be proposed at the OSB General Meeting in respect of a total of 28,755,206 OSB Shares representing, in aggregate, approximately 11.76 per cent. of OSB's issued share capital. Further details of these irrevocable undertakings and the letter of intent (including the circumstances in which they will fall away) are set out in Appendix III to this Announcement.

### **Combination details and recommendations**

- It is intended that the Combination will be effected by means of a court-sanctioned scheme of arrangement of Charter Court under Part 26 of the Companies Act, further details of which are contained in the full text of this Announcement (and will be included in the Scheme Document). OSB reserves the right to implement the Combination by way of an Offer, subject to the Panel's consent and the terms of the Co-operation Agreement.
- The Charter Court Directors, who have been so advised by RBC Capital Markets and Credit Suisse as to the financial terms of the Combination, consider the terms of the Combination to be fair and reasonable. Credit Suisse is providing independent financial advice to the Charter Court Directors for the purposes of Rule 3 of the City Code. In providing their financial advice to the Charter Court Directors, each of RBC Capital Markets and Credit Suisse has taken into account the commercial assessments of the Charter Court Directors. Accordingly, the Charter Court Directors intend to recommend unanimously that Charter Court Shareholders vote in favour of the Scheme at the Court Meeting and the Charter Court Resolutions at the Charter Court General Meeting, as the Charter Court Directors who hold Charter Court Shares have irrevocably undertaken to do in respect of their entire beneficial holdings of, in aggregate, 3,512,123 Charter Court Shares, representing approximately 1.47 per cent. of the ordinary issued share capital of Charter Court on 13 March 2019, being the last Business Day before the date of this Announcement. Further details of these irrevocable undertakings (including the circumstances in which they will fall away) are set out in Appendix III to this Announcement.
- The Combination constitutes a Class 1 transaction for OSB for the purposes of the Listing Rules. Accordingly, the Combination will be conditional, amongst other things, on the approval of the OSB Shareholders at the OSB General Meeting.
- The OSB Directors consider the Combination to be in the best interests of OSB and the OSB Shareholders as a whole and intend to recommend unanimously that OSB Shareholders vote in favour of the OSB Resolutions at the OSB General Meeting, as those OSB Directors who hold OSB Shares have irrevocably undertaken to do in respect of their entire beneficial holdings of, in aggregate, 1,063,918 OSB Shares, representing approximately 0.44 per cent. of OSB's issued share capital on 13 March 2019, being the last Business Day before the date of this Announcement. Further details of these



irrevocable undertakings (including the circumstances in which they will fall away) are set out in Appendix III to this Announcement.

- The OSB Directors have received financial advice from Rothschild & Co (as sponsor and financial adviser) and Barclays (as financial adviser and corporate broker) in relation to the Combination. In providing their advice to the OSB Directors, Rothschild & Co and Barclays have relied upon the OSB Directors' commercial assessments of the Combination.
- In addition to being subject to the approval of the OSB Shareholders and Charter Court Shareholders, the Combination is also subject to, *inter alia*, receipt of change of control approvals from the PRA and FCA and the receipt of clearance from the CMA. The Combination is also subject to such other conditions as are set out in Appendix I to this Announcement, and to the full terms and conditions which will be set out in the Scheme Document.

### Timing

- The Scheme Document will include further details of the Scheme, together with notices of the Court Meeting and the Charter Court General Meeting and the expected timetable, and will specify the action to be taken by Charter Court Shareholders. It is expected that the Scheme Document, including the Scheme and notices of the Charter Court Meetings, will be posted to Charter Court Shareholders (together with Forms of Proxy) and, for information purposes only, to persons with information rights and to holders of options and awards granted under the Charter Court Share Plans (together with Forms of Proxy) in accordance with a timetable agreed between Charter Court and OSB from time to time, such that the Court Meeting and the Charter Court General Meeting shall be convened for not later than 30 June 2019 (or such other date as may be agreed by Charter Court and OSB). For the purposes of paragraph 3(a) of Appendix 7 to the City Code, the Panel has consented to an extension of the applicable date for posting, such that Charter Court may post the Scheme Document by 14 June 2019.
- In addition, it is expected that the Prospectus, containing information about the New OSB Shares, will be published at or around the same time as the Scheme Document is posted to Charter Court Shareholders.
- It is also expected that the OSB Circular, containing details of the Combination and notice of the OSB General Meeting, will be posted to OSB Shareholders (together with the forms of proxy for use in connection with the OSB General Meeting) at or around the same time as the Scheme Document is posted to Charter Court Shareholders, such that the OSB General Meeting will be held at or around the same time and on the same date as the Court Meeting and/or the Charter Court General Meeting and not later than 30 June 2019 (or such other date as may be agreed by Charter Court and OSB).
- The Scheme Document, the Prospectus and the OSB Circular will each be made available by OSB on its website at [www.osb.co.uk](http://www.osb.co.uk) and by Charter Court on its website at [www.chartercourtfsc.co.uk](http://www.chartercourtfsc.co.uk).
- The Combination is expected to become effective in Q3 2019, subject to satisfaction or (where applicable) waiver of the Conditions and certain further terms set out in Appendix I to this Announcement.

Commenting on today's announcement, David Weymouth, the Chairman of OSB said:

*"I am very pleased that we are today announcing the combination of OSB and Charter Court, two businesses that have demonstrated remarkable growth and returns in the specialist lending market segment over the last decade. The combination will create a leading specialist lender that we believe will benefit from enhanced scale, product offerings and a robust and diversified funding platform. Both businesses bring complementary strengths which we fully expect will position the combined business to continue to deliver for its customers and shareholders. The OSB Board and management team have built a strong, customer-focused approach that we believe can develop from strength to strength through the combination with Charter Court and continue to grow the businesses within the fragmented specialist lending segment."*

Commenting on the Combination, Sir Malcolm Williamson, the Chairman of Charter Court said:

*"I am delighted that we are announcing the combination of OSB and Charter Court. The strategic fit of the two banks is compelling and will bring together complementary strengths and capabilities to enhance our customer proposition and create a leading specialist lender that is very well positioned to deliver sustainable returns and take advantage of future growth opportunities. Since Charter Court's foundation in 2008, the Charter Court management team has achieved a tremendous amount in building Charter Court into one of the UK's leading specialist banks. To now be bringing together the complementary strengths of Charter Court and OSB is a great opportunity and excellent base from which to continue a growth strategy. I am honoured to be asked and look forward to being Chairman of the Board of the Combined Group."*

#### **Analyst and investor presentations**

There will be an analysts' briefing at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED today at 9.30 a.m. There will also be a live audio webcast of this briefing. Information on how to access the live audio webcast can be found in the 'Investors' section of the OSB website at [www.osb.co.uk](http://www.osb.co.uk).

The recorded audio webcast (together with the accompanying slides) will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, in due course on OSB's website at [www.osb.co.uk](http://www.osb.co.uk) and on Charter Court's website at [www.chartercourts.co.uk](http://www.chartercourts.co.uk). The contents of the websites referred to in this Announcement are not incorporated into and do not form part of this Announcement.

**This summary should be read in conjunction with, and is subject to, the full text of this Announcement (including its Appendices).**

**The Combination will be subject to the Conditions and further terms set out in Appendix I to this Announcement, and to the full terms and conditions which will be set out in the Scheme Document. Appendix II to this Announcement contains the bases of calculations and sources of certain information contained in this Announcement. Appendix III to this Announcement contains details of the irrevocable undertakings received in relation to the Combination. Appendix IV to this Announcement sets out the anticipated Quantified Financial Benefits Statement and contains details of, and bases of calculation of, the anticipated financial benefits of the Combination. Appendix V to this Announcement**

contains definitions of certain expressions used in this summary and in this Announcement.

**Enquiries:**

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**Charter Court Financial Services Group plc**

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Sebastien Maloney

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Max Mesny

**Citigate Dewe Rogerson (Financial PR Adviser to Charter Court)**

Sandra Novakov Tel: +44 (0) 20 7638 9571  
Michael Russell

Slaughter and May are retained as legal adviser to OSB. Linklaters LLP are retained as legal adviser to Charter Court.

***Important notice related to financial advisers***

*Rothschild & Co, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for OSB and for no one else in connection with the subject matter of this Announcement and will not be responsible to anyone other than OSB for providing*

*the protections afforded to its clients or for providing advice in connection with the subject matter of this Announcement.*

*Barclays, which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for OSB and no-one else in relation to the subject matter of this Announcement and will not be responsible to anyone other than OSB for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this Announcement. In accordance with the City Code, normal United Kingdom market practice and Rule 14e-5(b) of the US Exchange Act, Barclays and its affiliates will continue to act as exempt principal trader in OSB and Charter Court securities on the London Stock Exchange. These purchases and activities by exempt principal traders which are required to be made public in the United Kingdom pursuant to the City Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com). This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.*

*RBC Capital Markets, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting for Charter Court and no one else in connection with the matters referred to in this Announcement and will not be responsible to anyone other than Charter Court for providing the protections afforded to clients of RBC Capital Markets, or for providing advice in connection with the matters referred to in this Announcement.*

*Credit Suisse, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting as financial adviser exclusively for Charter Court and no one else in connection with the matters set out in this Announcement and will not be responsible to any person other than Charter Court for providing the protections afforded to clients of Credit Suisse, nor for providing advice in relation to the content of this Announcement or any matter referred to herein. Neither Credit Suisse nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Credit Suisse in connection with this Announcement, any statement contained herein or otherwise.*

### **Further information**

*This Announcement is provided for information purposes only. It is not intended to, and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, exchange, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Combination or otherwise, nor will there be any sale, issuance, exchange or transfer of securities of OSB or Charter Court pursuant to the Combination or otherwise in any jurisdiction in contravention of applicable law.*

*The Combination will be subject to English law and to the applicable requirements of the City Code, the Panel, the Listing Rules, the London Stock Exchange, the Financial Conduct Authority and the Prudential Regulation Authority.*

*Charter Court will prepare the Scheme Document to be distributed to Charter Court Shareholders. OSB will prepare the OSB Circular to be distributed to OSB Shareholders and will also publish the Prospectus containing information on the New OSB Shares and the Combined*

*Group (and, in the event that the Combination is to be implemented by means of an Offer, the Offer Document). The Combination will be implemented solely pursuant to the terms of the Scheme Document (or, in the event that the Combination is to be implemented by means of an Offer, the Offer Document), which, together with the Forms of Proxy, will contain the full terms and conditions of the Combination, including details of how to vote in respect of the Combination. Charter Court Shareholders are advised to read the Scheme Document (including the related Forms of Proxy and forms of election) (and/or, in the event that the Combination is to be implemented by way of an Offer, the Offer Document) and the Prospectus carefully once these become available because they will contain important information in relation to the Combination, the New OSB Shares and the Combined Group. Any vote in respect of resolutions to be proposed at the Charter Court General Meeting, and any decision in respect of the Scheme or other response in relation to the Combination, by Charter Court Shareholders should be made only on the basis of the information contained in the Scheme Document (and/or, in the event that the Combination is to be implemented by way of an Offer, the Offer Document) and the Prospectus (including any supplementary prospectus, if relevant). Any vote in respect of resolutions to be proposed at the OSB General Meeting by OSB Shareholders should be made only on the basis of information contained in the OSB Circular (including any supplementary circular, if relevant).*

*The New OSB Shares are not being offered to the public by means of this Announcement.*

*This Announcement does not constitute a prospectus or prospectus equivalent document.*

*OSB reserves the right to elect (with the consent of the Panel, and subject to the approval of Charter Court or as otherwise permitted under the terms of the Co-operation Agreement) to implement the acquisition of the Charter Court Shares by way of an Offer as an alternative to the Scheme. In such event, the Offer will be implemented on substantially the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect the terms of the Co-operation Agreement and, among other things, the change in structure by which the Combination is to be implemented and compliance with all applicable laws.*

### **Restricted Jurisdictions**

*The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons into whose possession this Announcement comes who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe any applicable requirements. In particular, the ability of persons who are not resident in the United Kingdom to vote their Charter Court Shares with respect to the Scheme at the Court Meeting, to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting on their behalf, or to hold and vote OSB Shares, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with such requirements may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and other persons involved in the Combination disclaim any responsibility or liability for any violation of such restrictions by any person.*

*This Announcement has been prepared for the purpose of complying with English law and the City Code, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules and the information disclosed may not be the same as that which would have been disclosed if*

*this Announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.*

*Unless otherwise determined by OSB or required by the City Code, and permitted by applicable law and regulation, the Combination will not be made available directly or indirectly in, into or from a Restricted Jurisdiction or where to do so would violate the laws of that jurisdiction. No person may vote in favour of the Combination by any use, means, instrumentality or form, and the Combination will not be capable of acceptance, from or within a Restricted Jurisdiction, if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this Announcement and any documentation relating to the Combination are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from any Restricted Jurisdiction where to do so would violate the laws in that jurisdiction. If the Combination is implemented by way of an Offer (unless otherwise permitted by applicable law and regulation), the Offer may not be made directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer may not be capable of acceptance by any such use, means, instrumentality or facilities.*

*The availability of the Combination, New OSB Shares under the Combination, or this Announcement to persons who are not resident in the United Kingdom or the ability of those persons to hold such securities, may be affected by the laws or regulatory requirements of the relevant jurisdiction in which they are resident. Persons into whose possession this Announcement comes who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements. Charter Court Shareholders who are in any doubt regarding such matters should consult an appropriate independent financial adviser in their relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.*

*The New OSB Shares may not be offered, sold or delivered, directly or indirectly, in, into or from any Restricted Jurisdiction or to, or for the account or benefit of, any Restricted Overseas Persons except pursuant to an applicable exemption from, or in a transaction not subject to, applicable securities laws of those jurisdictions, or otherwise permitted under applicable securities laws of those jurisdictions.*

*Further details in relation to Charter Court Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom will be contained in the Scheme Document.*

### **Notes to US Investors**

*Charter Court Shareholders in the United States should note that the Combination relates to the shares of an English company and is proposed to be made by means of a scheme of arrangement provided for under, and governed by, the law of England and Wales. If the Combination is carried out under such Scheme, it is expected that the New OSB Shares to be issued pursuant to the Combination would be issued in reliance upon the exemption from the registration requirements under the US Securities Act provided by Section 3(a)(10) thereof and would not be registered under the US Securities Act. Securities issued pursuant to the Scheme*

*will not be registered under any laws of any state, district or other jurisdiction of the United States, and may only be issued to persons resident in such state, district or other jurisdiction pursuant to an exemption from the registration requirements of such laws.*

*Neither the proxy solicitation nor the tender offer rules under the US Exchange Act will apply to the Scheme. Moreover, the Scheme will be subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. If OSB were to elect to implement the Combination by means of a takeover offer and determines to extend such takeover offer into the United States, such takeover offer will be made in compliance with all applicable laws and regulations, including the US Securities Act and Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such a takeover would be made in the United States by OSB and no one else. In addition to any such takeover offer, OSB, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Charter Court outside such takeover offer during the period in which such takeover offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com).*

*Financial information included in this Announcement and the Scheme Document has been or will be prepared in accordance with accounting standards applicable in the UK and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.*

*Charter Court and OSB are organised under the laws of England and Wales. All of the officers and directors of Charter Court and OSB are residents of countries other than the United States. It may not be possible to sue Charter Court and OSB, or any of their respective directors, officers or affiliates, in a non-US court for violations of US securities laws. It may be difficult to compel Charter Court, OSB and their respective directors, officers and affiliates to subject themselves to the jurisdiction and judgment of a US court.*

### **Forward looking statements**

*This Announcement contains certain statements about OSB and Charter Court that are or may be forward looking statements, including with respect to the Combination involving OSB and Charter Court. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on assumptions, expectations, valuations, targets, estimates, forecasts and projections of OSB and Charter Court about future events, and are therefore subject to risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied by the forward looking statements. All statements other than statements of historical facts included in this Announcement may be forward looking statements. Without limitation, forward looking statements often include words such as “targets”, “plans”, “believes”, “hopes”, “continues”, “expects”, “aims”, “intends”, “will”, “may”, “should”, “would”, “could”, “anticipates”, “estimates”, “will look to”, “budget”, “strategy”, “would look to”, “scheduled”, “goal”, “prepares”, “forecasts”, “cost-saving”, “is subject to”, “synergy”, “projects” or words or terms of similar substance or the negative thereof.*

*By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this Announcement could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the possibility that the Combination will not be pursued or consummated, failure to obtain necessary regulatory approvals or to satisfy any of the other conditions to the Combination if it is pursued, adverse effects on the market price of OSB's or Charter Court's ordinary shares and on OSB's or Charter Court's operating results because of a failure to complete the Combination, failure to realise the expected benefits of the Combination, negative effects relating to the announcement of the Combination or any further announcements relating to Combination or the consummation of the Combination on the market price of OSB's or Charter Court's ordinary shares, significant transaction costs and/or unknown liabilities, the Combined Group incurring and/or experiencing unanticipated costs and/or delays (including IT system failures, cyber-crime, fraud and pension scheme liabilities), general economic and business conditions that affect the combined companies following the consummation of the Combination, changes in global, political, economic, business, competitive, market and regulatory forces (including exposures to terrorist activities, the repercussions of the UK's referendum vote to leave the European Union, the UK's exit from the European Union and Eurozone instability), future exchange and interest rates, changes in tax laws, regulations, rates and policies, future business combinations or disposals and competitive developments. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and you are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this Announcement.*

*All forward looking statements contained in this Announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.*

*Each forward-looking statement speaks only as of the date of this Announcement. Neither OSB nor Charter Court, nor any of their respective associates or directors, officers or advisers, provides any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Announcement will actually occur. Other than in accordance with their legal or regulatory obligations (including under the City Code, the Listing Rules and the Disclosure Guidance and Transparency Rules), neither the OSB Group nor the Charter Court Group is under, or undertakes, any obligation, and each of the foregoing expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

**No profit forecasts or estimates**

*Nothing in this Announcement (including any statement of estimated costs savings or synergies) is intended as a profit forecast or estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per share or dividend per share for OSB or Charter Court, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or dividend per share for OSB or Charter Court, as appropriate.*



### **Quantified Financial Benefits Statement**

*Appendix IV sets out the anticipated Quantified Financial Benefits Statement and contains details of, and bases of calculation of, the anticipated financial benefits of the Combination, together with the related reports from OSB's reporting accountant, KPMG, and OSB's financial advisers, Rothschild & Co and Barclays, as required under Rule 28.1(a) of the City Code, and provides underlying information and bases for the accountant's and advisers' respective reports. Rothschild & Co and Barclays, as financial advisers to OSB, have provided such report for the purposes of the City Code stating that, in their opinion and subject to the terms of the report, the Quantified Financial Benefits Statement, for which the OSB Directors are responsible, has been prepared with due care and consideration. Each of KPMG, Rothschild & Co and Barclays has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.*

*For the purpose of Rule 28 of the City Code, the Quantified Financial Benefits Statement contained in this Announcement is the responsibility of OSB and the OSB Directors. Any statement of intention, belief or expectation for the Combined Group following the Effective Date is an intention, belief or expectation of the OSB Directors and not of the Charter Court Directors.*

*The statements in the Quantified Financial Benefits Statement relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following the Effective Date, or in any subsequent period, would necessarily match or be greater than or be less than those of OSB and/or Charter Court for the relevant preceding financial period or any other period.*

### **Disclosure requirements of the City Code**

*Under Rule 8.3(a) of the City Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the City Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree*

*company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.*

### **Electronic communications**

*Please be aware that addresses, electronic addresses and certain other information provided by Charter Court Shareholders, persons with information rights and other relevant persons for the receipt of communications from Charter Court may be provided to OSB during the Offer Period as required under Section 4 of Appendix 4 of the City Code to comply with Rule 2.11 of the City Code.*

### **Publication on website and availability of hard copies**

*A copy of this Announcement and the documents required to be published by Rule 26 of the City Code will be made available (subject to certain restrictions relating to persons resident in Restricted Jurisdictions), on OSB's website at [www.osb.co.uk](http://www.osb.co.uk) and Charter Court's website at [www.chartercourtfsc.co.uk](http://www.chartercourtfsc.co.uk) by no later than 12 noon (London time) on the Business Day following this Announcement. For the avoidance of doubt, the contents of those websites are not incorporated into, and do not form part of, this Announcement.*

*OSB Shareholders and Charter Court Shareholders may request a hard copy of this Announcement by: (i) contacting Equiniti during business hours on 0371 384 2050 if calling from the United Kingdom, or +44 121 415 0259 if calling from outside the United Kingdom (lines are open from 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales)); or (ii) by submitting a request in writing to Equiniti at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom. If you have received this Announcement in electronic form, copies of this Announcement and any document or information incorporated by reference into this document will not be provided unless such a request is made. OSB Shareholders and Charter Court Shareholders may also request that all*

*future documents, announcements and information to be sent to them in relation to the Combination should be in hard copy form.*

*If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.*

***Rounding***

*Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.*

***Other***

*The International Securities Identification Number for OSB is GB00BM7S7K96 and the International Securities Identification Number for Charter Court Shares is GB00BD822578.*

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION**

**THIS ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS OR PROSPECTUS EQUIVALENT DOCUMENT AND INVESTORS SHOULD NOT MAKE ANY INVESTMENT DECISION IN RELATION TO THE NEW OSB SHARES EXCEPT ON THE BASIS OF THE INFORMATION IN THE SCHEME DOCUMENT, THE PROSPECTUS AND THE OSB CIRCULAR WHICH ARE PROPOSED TO BE PUBLISHED IN DUE COURSE**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**FOR IMMEDIATE RELEASE**

**14 March 2019**

**Recommended all-share combination  
of  
OneSavings Bank plc  
and  
Charter Court Financial Services Group plc**

**1. Introduction**

The Boards of OneSavings Bank plc ("**OSB**") and Charter Court Financial Services Group plc ("**Charter Court**") are pleased to announce that they have reached agreement on the terms of a recommended all-share combination to be effected by means of a scheme of arrangement between Charter Court and the Charter Court Shareholders under Part 26 of the Companies Act 2006 (the "**Combination**").

**2. The Combination**

Under the terms of the Combination, which will be subject to the Conditions and certain further terms set out in Appendix I and to the full terms and conditions which will be set out in the Scheme Document, each Charter Court Shareholder will be entitled to receive:

**for each Charter Court Share:            0.8253 New OSB Shares**

Immediately following completion of the Combination, Charter Court Shareholders will own approximately 45 per cent. of the share capital of the Combined Group (based on the existing ordinary issued share capital of OSB and the fully diluted share capital of Charter Court) and will share in the benefits accruing to the Combined Group via the expected realisation of meaningful cost synergies.

The Combination is expected to become effective in Q3 2019, subject to satisfaction or (where applicable) waiver of the Conditions and certain further terms set out in Appendix I to this Announcement.

Under the terms of the Combination, OSB and Charter Court have agreed that:

- Charter Court Shareholders will be entitled to receive and retain:
  - the dividend of 12.7 pence per Charter Court Share in respect of the completed twelve-month period ended 31 December 2018, as announced by Charter Court in the Charter Court Preliminary Results Announcement; and
  - should completion of the Combination occur after the record date for Charter Court's 2019 half yearly interim dividend in respect of the completed six-month period ending 30 June 2019 (subject to such record date being no earlier than 20 August 2019), any dividend announced, declared, made or paid by Charter Court, prior to the Effective Date, in respect of the completed six-month period ending 30 June 2019 without any reduction to the Consideration, provided that such dividend does not exceed one third of the total dividend per Charter Court Share for the completed twelve-month period ended 31 December 2018,

(any such dividend (or part thereof) that is permissible under these criteria being a **"Charter Court Permitted Dividend"**); and

- OSB Shareholders will be entitled to receive and retain:
  - the dividend of 14.6 pence per OSB Share in respect of the completed twelve-month period ended 31 December 2018, as announced by OSB in the OSB Preliminary Results Announcement; and
  - should completion of the Combination occur after the record date for OSB's 2019 half yearly interim dividend in respect of the completed six-month period ending 30 June 2019 (subject to such record date being no earlier than 20 August 2019), any dividend announced, declared, made or paid by OSB, prior to the Effective Date, in respect of the completed six-month period ending 30 June 2019, provided that such dividend does not exceed one third of the total dividend per OSB Share for the completed twelve-month period ended 31 December 2018,

(any such dividend (or part thereof) that is permissible under these criteria being an **"OSB Permitted Dividend"**).

If, on or after the date of this Announcement and prior to the Effective Date, any dividend and/or other distribution and/or other return of value is announced, declared, made or paid or becomes payable:

- in respect of Charter Court Shares, other than a Charter Court Permitted Dividend or a Charter Court Equalising Dividend, or in excess of a Charter Court Permitted Dividend or a Charter Court Equalising Dividend, OSB reserves the right (without prejudice to any right OSB may have, with the consent of the Panel, to invoke Condition 4(H)(ii) in Part A of Appendix I to this Announcement) to (at OSB's sole discretion): (i) reduce the Consideration by an amount equivalent to all or any part of such excess, in the case of Charter Court Permitted Dividends or Charter Court Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution, in which case any reference in this Announcement or in the Scheme Document (or, in the event that the Combination is

to be implemented by means of an Offer, the Offer Document) to the Consideration will be deemed to be a reference to the Consideration as so reduced; and/or (ii) declare and pay an equalising dividend to OSB Shareholders so as to reflect the value attributable to all or any part of such excess, in the case of Charter Court Permitted Dividends or Charter Court Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution (any such equalising dividend declared or paid in accordance with this point (ii) being an “**OSB Equalising Dividend**”); and/or

- in respect of OSB Shares, other than an OSB Permitted Dividend or an OSB Equalising Dividend, or in excess of an OSB Permitted Dividend or an OSB Equalising Dividend, Charter Court shall be entitled to declare and pay an equalising dividend to Charter Court Shareholders so as to reflect the value attributable to all or any part of such excess, in the case of OSB Permitted Dividends or OSB Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution, without any consequential change to the Consideration (a “**Charter Court Equalising Dividend**”).

Following completion of the Combination, the New OSB Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the OSB Shares in issue at the time the New OSB Shares are issued pursuant to the Combination, including, subject as outlined below, the right to receive and retain in full all dividends and other distributions (if any) announced, declared, made or paid, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, in each case by reference to a record date falling on or after the Effective Date. Applications will be made to the FCA for the New OSB Shares to be admitted to the Official List and to the London Stock Exchange for the New OSB Shares to be admitted to trading on the London Stock Exchange’s Main Market for listed securities. Irrespective of the date on which the Effective Date falls, Charter Court Shareholders who receive New OSB Shares pursuant to the Scheme shall not be entitled to receive any dividend declared, made or paid by OSB by reference to a record date falling prior to the Effective Date.

The Charter Court Shares acquired under the Combination will be acquired fully paid and free from all liens, charges, equitable interests, encumbrances, options, rights of pre-emption and any other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) announced, declared, made or paid, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, in each case by reference to a record date falling on or after the Effective Date.

OSB has received irrevocable undertakings from the Charter Court Directors who hold Charter Court Shares and Elliott to vote in favour of the Scheme at the Court Meeting and the Charter Court Resolutions at the Charter Court General Meeting in respect of a total of 79,223,469 Charter Court Shares, representing, in aggregate, approximately 33.10 per cent. of the ordinary issued share capital of Charter Court on 13 March 2019, being the last Business Day before the date of this Announcement. In addition, OSB has received a letter of intent from Merian to vote in favour of the Scheme at the Court Meeting and the Charter Court Resolutions to be proposed at the Charter Court General Meeting in respect of 34,834,451 Charter Court Shares,

representing, in aggregate approximately 14.56 per cent. of Charter Court's issued share capital.

Charter Court has received irrevocable undertakings from the OSB Directors who hold OSB Shares to vote in favour of the OSB Resolutions at the OSB General Meeting in respect of a total of 1,063,918 OSB Shares, representing, in aggregate, approximately 0.44 per cent. of the ordinary issued share capital of OSB on 13 March 2019, being the last Business Day before the date of this Announcement. In addition, Charter Court has received a letter of intent from Merian to vote in favour of the OSB Resolutions to be proposed at the OSB General Meeting in respect of a total of 28,755,206 OSB Shares representing, in aggregate, approximately 11.76 per cent. of OSB's issued share capital.

Further details of these irrevocable undertakings and letters of intent (including the circumstances in which they will fall away) are set out in paragraph 19 and Appendix III to this Announcement.

### 3. **Background to and reasons for the Combination**

The Boards of OSB and Charter Court are confident the Combination will create a leading specialist lender in the UK with enhanced scale, bringing together the resources and capabilities of both businesses to allow the Combined Group to explore further growth opportunities and deliver attractive long term returns through the economic cycle.

In particular, following completion, it is expected that the Combination will bring together the complementary strengths of OSB and Charter Court across products, underwriting, distribution, funding and operating platforms; benefiting from the best-in-class capabilities of both businesses.

The Boards of OSB and Charter Court believe the Combination has a strong strategic rationale and is a highly compelling opportunity to:

***Create a leading specialist lender in the UK with greater scale and resources to deploy on growth opportunities***

- create a leading specialist lender in the UK with greater scale and resources to better compete in an increasingly mature and competitive market segment and deliver sustainable returns with, in aggregate:
  - (a) £15.6 billion of net customer loans<sup>5</sup>;
  - (b) £5.8 billion of gross originations<sup>6</sup>;

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<sup>5</sup> Based on the pro forma results of the Combined Group, were the Combination to have completed as at 31 December 2018.

<sup>6</sup> Based on the pro forma results of the Combined Group, were the Combination to have completed as at 1 January 2018.

- (c) £13.2 billion of customer deposits<sup>5</sup>; and
  - (d) a well proven securitisation funding capability;
- combine resources to better access future growth opportunities in the fragmented specialist lending sector;

***Leverage complementary strengths to create a comprehensive and diversified platform across product capabilities, brands and team cultures***

*Products*

- bring together complementary product capabilities and expertise with a best-of-both approach, combining:
  - (a) OSB's leading franchises in specialist buy-to-let mortgages in the UK, including complex portfolio based origination, commercial real estate and development finance; with
  - (b) Charter Court's strong proposition in specialist residential, new build and buy-to-let mortgages in the UK; and
  - (c) leveraging mutual strengths in bridge financing with Charter Court's proprietary regulated bridging platform and mutual strengths in second charge loans;
- enhance capabilities and presence in key segments by:
  - (a) accelerating OSB's growth in specialist residential mortgages by leveraging Charter Court's automation-enabled underwriting and technology platform;
  - (b) expanding Charter Court's buy-to-let offering by leveraging best practice across the Combined Group; and
  - (c) increasing capacity for investment in new products and services, in line with OSB's and Charter Court's current risk appetite;

*Brand and customer strategy*

- preserve and build on the value of OSB's and Charter Court's individual lending brands (including Kent Reliance, Interbay, Heritable, Prestige and Precise Mortgages) through a multi-brand lending strategy. In addition, it is intended that the Combined Group will retain both of OSB's and Charter Court's retail savings brands (Kent Reliance and Charter Savings Bank);
- enhance the customer proposition and acquisition rates through being able to underwrite a wider range of customer cases than would have been possible as two standalone businesses;

*Culture*



- bring together two complementary and highly engaged team cultures which have collaborated successfully in the past in a commercial capacity, to build one firm with a rich and skilled talent pool;

***Leverage complementary underwriting capabilities to enhance the customer proposition***

- bring together OSB's and Charter Court's credit expertise whilst leveraging Charter Court's automation-enabled underwriting approach in conjunction with OSB's bespoke portfolio-based underwriting capabilities and in-house real estate expertise to offer an enhanced customer proposition;
- create enhanced data insight and analysis by combining each company's data sets and analytic capabilities; and
- increase underwriting efficiency through the Combined Group's ability to match a wider suite of differentiated underwriting capabilities to better serve borrower needs;

***Establish a well-balanced, resilient and diversified retail-wholesale funding platform***

- bring together OSB's established Kent Reliance retail deposit franchise with Charter Court's online savings deposit platform, sophisticated securitisation funding and balance sheet management capabilities to create a resilient and diversified funding platform to support the future growth with cost efficient funding of the Combined Group; and
- maintain optionality to benefit from the potential to execute structured balance sheet management transactions across the Combined Group's enlarged balance sheet by utilising Charter Court's in-house expertise to enable efficient access to the capital markets;

***Maintain two leading, independent distribution platforms to create an enhanced proposition to the broker community***

- increase breadth of channels to market via the direct to broker and packager channels;
- deliver a broad range of complementary products, offering an improved proposition and service levels with no disruption to the broker distribution networks; and
- the two distribution platforms will continue to offer the Kent Reliance and Precise Mortgages brands and will report to Alan Cleary, Managing Director of Precise Mortgages, whose role will ensure best practice of each platform is leveraged across the Combined Group to maintain and further enhance broker service levels from what are currently two of the leading platforms in the market;

***Maintain operational centres of excellence to drive service levels and platform efficiency***

- maintain centres of excellence for core processes and capabilities on a best-in-class basis across OSB's and Charter Court's existing locations in Chatham, Wolverhampton and India; and

- deliver cost efficiencies and operational enhancements by leveraging OSB's efficient India based lending, savings and support operations and capabilities to reinforce a best-in-class management expense and cost to income ratios.

***Realise meaningful cost synergies with further potential benefits***

The Board of OSB is confident that, as a direct result of the Combination, the Combined Group will generate meaningful cost synergies and create additional shareholder value. The OSB Board, having reviewed and analysed the potential cost synergies of the Combination, and taking into account the factors they can influence, believes that the Combination will result in £22 million of pre-tax cost synergies on an annual run-rate basis (based on the pro forma results of the Combined Group for the year ended 31 December 2018) by the third anniversary of the completion of the Combination.<sup>7</sup>

The OSB Board expects approximately 30% of these cost synergies to be achieved by the end of the first 12-month period following completion of the Combination, approximately 75% by the end of the second 12-month period following completion of the Combination and the full run-rate by the third anniversary of completion of the Combination. On this basis, approximately 10% of the cost synergies are expected to be recognised in the first 12-month period following completion of the Combination, approximately 40% in the second 12-month period following completion of the Combination and approximately 90% in the 12-month period ending on the third anniversary of completion of the Combination.

The quantified cost synergies, which are expected to originate from the cost bases of both OSB and Charter Court, are expected to be realised from:

- the appropriate removal of duplicate senior management roles and central and support functions (expected to contribute approximately 50% of the full run-rate pre-tax cost synergies);
- efficiencies from combined lending operations (expected to contribute approximately 20% of the full run-rate pre-tax cost synergies);
- bringing Charter Court's savings account operations in-house (expected to contribute approximately 20% of the full run-rate pre-tax cost synergies); and
- other operational efficiencies (expected to contribute approximately 10% of the full run-rate pre-tax cost synergies).

These quantified cost synergies are based on a combined cost base for OSB and Charter Court, in each case in respect of the financial year ended 31 December 2018. The Boards of OSB and Charter Court believe that, given the growth profile of both businesses, the standalone cost base of each entity would have grown over time. As a result, over time, the quantified cost

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<sup>7</sup> This statement constitutes a quantified financial benefits statement for the purposes of the City Code. Please see Appendix IV for further details.

synergies described above could potentially be driven across a growing cost base and future planned expenses could potentially be avoided. These potential additional financial benefits have not been quantified for reporting under the City Code.

Further detail on the expected quantified financial benefits of the Combination and the costs to achieve them is given in the paragraph headed “Quantified Financial Benefits Statement” below and Appendix IV of this Announcement.

#### **4. Integration planning**

In the period leading up to completion, OSB and Charter Court will work together to develop a detailed integration plan based on a low-risk approach to ensure the integration is achievable. The Boards of OSB and Charter Court believe the integration will be deliverable based on the factors and with the oversight described below.

There are no current plans for large-scale IT integration and it is intended that the transfer of Charter Court’s savings account operations will be achieved by the third anniversary of completion of the Combination through the origination of new savings accounts on OSB’s established savings platform.

The integration of the two businesses will be further assisted by:

- similarities across OSB’s and Charter Court’s business models and operating platforms, such as the use of common systems;
- experience gained from OSB and Charter Court teams working closely together under the previous commercial relationship in mortgage cash management and related loan administration services provided to OSB by Charter Court, particularly in relation to processing and servicing capabilities;
- both management teams’ experience of operating a multi-brand franchise; and
- complementary and highly engaged cultures across both workforces.

It is expected that operational migration will be concluded by the third anniversary of completion of the Combination in order to carefully manage execution risk and maintain operational integrity.

The integration plan and its delivery will be overseen by a highly experienced Board Integration Committee with a clear focus on maintaining operational excellence and the careful delivery of the cost synergies and other benefits of the Combination. The Board Integration Committee will be chaired by David Weymouth, the Deputy Chairman of the Combined Group, with Ian Lonergan, the current CEO of Charter Court, assuming the role of Integration Director of the Combined Group to facilitate both OSB’s and Charter Court’s capabilities to be brought together to deliver the expected benefits of the Combination.

#### **5. Financial benefits and effects of the Combination**

The Boards of OSB and Charter Court believe the Combination has a strong financial rationale and expects the Combination to have the following effects:

***Diversified, high quality loan book and funding platform***

- the Boards of OSB and Charter Court believe the Combined Group will benefit from a more diversified, high quality specialist mortgage loan book with low impairment rates;
- the Boards of OSB and Charter Court expect the Combined Group to benefit from a resilient and diversified funding platform. This will comprise a mix of deposit and wholesale funding, utilising Charter Court's well-established capital markets capabilities in securitisation and balance sheet structuring. Were the Combination to have completed as at 31 December 2018, the Combined Group would have had a customer deposit base of £13.2 billion, equating to approximately 77 per cent. of its total funding.
- the Boards of OSB and Charter Court believe that the increased scale of the Combined Group and the resilient and diversified funding model should enable the Combined Group to refinance its term funding scheme balances on more advantageous terms (were the Combination to have completed as at 31 December 2018 term funding balances would have stood at £2.7 billion as at 31 December 2018, representing 15.6 per cent. of total funding);
- based on the audited accounts for OSB and Charter Court for the financial year ended 31 December 2018, the Combined Group would have had £18.2 billion of total assets and a £15.6 billion total net customer loan portfolio as at 31 December 2018, were the Combination to have completed as at that time;

***Robust pro forma capital position***

- the Boards of OSB and Charter Court expect the Combined Group to have a strong capital position following the completion of the Combination and believe the Combined Group's greater scale will improve its ability to optimise and diversify its capital resources;
- both OSB and Charter Court have initiated IRB accreditation projects for their mortgage portfolios and will continue to work towards accreditation following the completion of the Combination;
- the Combined Group will maintain an appropriate buffer over its regulatory minimum capital requirements;

***MREL***

- the Boards of OSB and Charter Court expect the Combination to result in the Combined Group being subject to the Bank of England's MREL requirements for bail-in resolution entities as a result of the size of the Combined Group's balance sheet, with a transition period expected to be at least 36 months following completion of the Combination;
- the Combination is expected to accelerate the MREL requirements for OSB and Charter Court as both companies would have become subject to MREL requirements in the medium term, based on historical growth rates;

- assuming required, the Combined Group's end-state MREL requirement and appropriate transitional period to reach its end-state MREL requirement will be determined by the Bank of England. The Boards of OSB and Charter Court have considered the implications of MREL on the Combined Group in their assessment of the Combination, and believe the Combined Group is better placed to address MREL requirements than if OSB and Charter Court were each to have an MREL requirement on a standalone basis as a result of future growth; and
- the Boards of OSB and Charter Court intend to establish a new holding company for the Combined Group post the completion of the Combination to facilitate the issuance of MREL-qualifying debt instruments and compliance with the Combined Group's expected MREL requirement.

### **Quantified Financial Benefits Statement**

The Board of OSB is confident that, as a direct result of the Combination, the Combined Group will generate meaningful cost synergies and create additional shareholder value. The OSB Board, having reviewed and analysed the potential cost synergies of the Combination, and taking into account the factors they can influence, believes that the Combination will result in £22 million of pre-tax cost synergies on an annual run-rate basis (based on the pro forma results of the Combined Group for the year ended 31 December 2018) by the third anniversary of the completion of the Combination.<sup>8</sup>

The OSB Board expects approximately 30% of these cost synergies to be achieved by the end of the first 12-month period following completion of the Combination, approximately 75% by the end of the second 12-month period following completion of the Combination and the full run-rate by the third anniversary of completion of the Combination. On this basis, approximately 10% of the cost synergies are expected to be recognised in the first 12-month period following completion of the Combination, approximately 40% in the second 12-month period following completion of the Combination and approximately 90% in the 12-month period ending on the third anniversary of completion of the Combination.

The Board of OSB expects these anticipated quantified cost synergies will accrue as a direct result of the Combination and would not be achieved on a standalone basis.

The quantified cost synergies, which are expected to originate from the cost bases of both OSB and Charter Court, are expected to be realised from:

- (A) the appropriate removal of duplicate senior management roles and central and support functions (expected to contribute approximately 50% of the full run-rate pre-tax cost synergies);

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<sup>8</sup> This statement constitutes a quantified financial benefits statement for the purposes of the City Code. Please see Appendix IV for further details.

- (B) efficiencies from combined lending operations (expected to contribute approximately 20% of the full run-rate pre-tax cost synergies);
- (C) bringing Charter Court's savings account operations in-house (expected to contribute approximately 20% of the full run-rate pre-tax cost synergies); and
- (D) other operational efficiencies (expected to contribute approximately 10% of the full run-rate pre-tax cost synergies).

It is expected that the realisation of these quantified cost synergies would give rise to one-off pre-tax costs to achieve of approximately £39 million. These are expected to be phased broadly evenly across a three year period following completion of the Combination.

Aside from the one-off exceptional costs referred to above and the costs associated with the potential acceleration of the Combined Group's expected MREL requirement, the Board of OSB does not expect any material pre-tax dis-synergies to arise in connection with the Combination.

Please refer to Appendix IV of this Announcement for further details of the anticipated cost synergies arising out of the Combination and the underlying assumptions and the bases of preparation. Appendix IV of this Announcement also includes reports from OSB's reporting accountant, KPMG, and its financial advisers, Rothschild & Co and Barclays, in connection with the Quantified Financial Benefits Statement, as required by Rule 28.1(a) of the City Code, and provides underlying assumptions and bases for the reporting accountants' and financial advisers' respective reports. Each of KPMG, Rothschild & Co and Barclays has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included. References to anticipated synergies should be read in conjunction with Appendix IV to this Announcement.

### ***Earnings accretive to shareholders of OSB and Charter Court***

The Combination is anticipated to be earnings accretive for the shareholders of both OSB and Charter Court in 2021 (excluding the additional financing costs related to the phased implementation of the Combined Group's expected MREL requirement).<sup>9</sup> The Directors of OSB believe that the expected increase in financing costs as a result of the Combined Group's expected MREL requirement (excluded in the assessment of earnings accretion mentioned above) would be more than offset by the expected pre-tax cost synergies on an annual run-rate basis of £22 million (such cost synergies being based on the pro forma results of the Combined Group for the year ended 31 December 2018).<sup>10</sup> In addition, the Boards of OSB and Charter Court believe that, given the growth profile of both businesses, the standalone cost base of each entity would have grown over time. As a result, over time, the quantified cost synergies

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<sup>9</sup> Earnings accretive on an underlying basis. This statement is not intended to be, and should not be construed as, a profit forecast for the purposes of the City Code.

<sup>10</sup> Run-rate expected to be achieved by the third anniversary of the completion of the Combination. This statement constitutes a quantified financial benefits statement for the purposes of the City Code. Please see Appendix IV for further details.

described above could potentially be driven across a growing cost base and future planned expenses could potentially be avoided. These potential additional financial benefits have not been quantified for reporting under the City Code.

***Strong capital generation to support a strong dividend policy***

The Boards of OSB and Charter Court expect that the delivery of meaningful cost synergies from the Combination is expected to support improved capital generation in the future. As a result, and consistent with the current dividend policy of OSB and Charter Court, the Boards of OSB and Charter Court expect the Combined Group, following the completion of the Combination, to adopt a policy of paying out at least 25% of underlying profit after taxation attributable to ordinary shareholders.

**6. Recommendations**

The Charter Court Directors, who have been so advised by RBC Capital Markets and Credit Suisse as to the financial terms of the Combination, consider the terms of the Combination to be fair and reasonable. Credit Suisse is providing independent financial advice to the Charter Court Directors for the purposes of Rule 3 of the City Code. In providing their financial advice to the Charter Court Directors, each of RBC Capital Markets and Credit Suisse has taken into account the commercial assessments of the Charter Court Directors.

Accordingly, the Charter Court Directors intend to recommend unanimously that Charter Court Shareholders vote in favour of the Scheme at the Court Meeting and the Charter Court Resolutions at the Charter Court General Meeting (or, in the event that the Combination is implemented by way of an Offer, to accept or procure the acceptance of such Offer).

The Combination constitutes a Class 1 transaction for OSB for the purposes of the Listing Rules. Accordingly, the Combination will also be conditional on the approval of the OSB Shareholders at the OSB General Meeting. The OSB Directors consider the Combination to be in the best interests of OSB and the OSB Shareholders as a whole and intend to recommend unanimously that OSB Shareholders vote in favour of the OSB Resolutions at the OSB General Meeting.

The OSB Directors have received financial advice from Rothschild & Co (as sponsor and financial adviser) and Barclays (as financial adviser and corporate broker) in relation to the Combination. In providing their advice to the OSB Directors, Rothschild & Co and Barclays have relied upon the OSB Directors' commercial assessments of the Combination.

**7. Background to and reasons for the recommendation**

Since Charter Court's foundation in 2008, the Charter Court management team has successfully built Charter Court into one of the UK's leading specialist mortgage banks. The successful initial public offering of Charter Court in October 2017 was a clear endorsement of Charter Court's platform, track record, strategy and prospects. It also marked the next exciting stage of the Charter Court Group's development and growth, demonstrated by cumulative loan originations of over £8 billion and development of its retail savings business with over 100,000 customers.

The Charter Court Board remains confident in the ongoing execution of its strategy as an independent company based on the belief that the expertise across all key areas of specialist

mortgage origination and distribution, risk management, capital and liability management will provide long-term growth and create significant value for Charter Court Shareholders.

While the Charter Court Board believes the standalone prospects for Charter Court to be strong, the Board has, in considering the combination with OSB, taken into account the significant benefits of scale from the Combination to accelerating its standalone strategy and growth of Charter Court's business.

The Combination would create a leading specialist lender which would leverage the complementary strengths of both Charter Court and OSB to build a comprehensive platform with the scale and financial strength to invest for growth, whilst delivering in the short term low risk operational synergies to realise value creation for Charter Court Shareholders. The Charter Court Board believes that the Combination creates the opportunity of creating a scale best-in-class challenger bank serving the specialist lending market segment with complementary product offerings, lean cost structures (including Indian off-shoring and automated underwriting filters), sophisticated balance sheet management and an efficient deposit taking platform.

In assessing the terms of the Combination, the Charter Court Board has taken into account a range of transaction considerations including:

*Shareholder returns*

- Charter Court Shareholders will have the opportunity to meaningfully participate in the ongoing value creation arising from the expected financial benefits of the Combined Group through their aggregate shareholding of approximately 45% of the Combined Group;
- the Combination is anticipated to be earnings accretive for Charter Court Shareholders in 2021 (excluding the additional financing costs related to the phased implementation of the Combined Group's expected MREL requirement).<sup>11</sup> The Combined Group is expected to benefit from cost synergies (as described above) which the Board of OSB believes will more than offset the expected increase in financing costs as a result of the expected MREL requirement;
- the Boards of OSB and Charter Court believe that, given the growth profile of both businesses, the standalone cost base of each entity would have grown over time. As a result, over time, the quantified cost synergies (which are based on a combined cost base for OSB and Charter Court, in each case in respect of the financial year ended 31 December 2018) expected to result from the Combination could potentially be driven across a growing cost base and future planned expenses could potentially be avoided. These potential additional financial benefits have not been quantified for reporting under the City Code; and

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<sup>11</sup> Earnings accretive on an underlying basis. This statement is not intended to be, and should not be construed as, a profit forecast for the purposes of the City Code.



- the expected strong capital generation of the Combined Group which would support a strong dividend policy consistent with Charter Court's current dividend policy of paying at least 25% of underlying attributable profit.

*Robust capital position and balance sheet*

- The Combined Group is expected to have a strong capital position following completion of the Combination and it is intended that the Combined Group will maintain an appropriate buffer to its regulatory minimum capital requirements; and
- the Combination is expected to result in the Combined Group being subject to the Bank of England's MREL requirements for bail-in resolution entities as a result of the combined balance sheet size. The cost of the MREL debt is expected to be partially offset by the cost of deposits forgone and the Charter Court Board believes that such debt would be more than offset by the expected financial benefits of the Combination described in paragraph 5 above.<sup>12</sup>

*Intentions and strategic plans for the Combined Group*

- In reviewing the Combination, the Charter Court Board has taken account of the impact on wider stakeholders and has given due consideration to the Combined Group's intention for the management, employees and places of business of the Combined Group;
- the Charter Court Board recognises that there will be a reduction in the number of full-time employees as a result of the Combination, however the Boards of OSB and Charter Court are committed to determining the employees of the Combined Group on a best-of-breed approach and the Charter Court Board supports the statement that Charter Court's current headquarters in Wolverhampton will be retained as a centre of excellence which will be critical to delivering value to shareholders by combining both OSB's and Charter Court's distinct propositions, following completion of the Combination. Additionally the restructuring is expected to be phased over three years, and it is expected that, where possible, the Combined Group will seek to review opportunities to reallocate staff from discontinued roles arising from the restructuring to other appropriate new roles that may be created from organic growth in the Combined Group;
- the Charter Court Board believes that integration planning should utilise the knowledge and expertise of the management team of Charter Court and as such welcomes that, subject to regulatory approvals: (i) Ian Lonergan, currently CEO of Charter Court, would assume the role of Integration Director of the Combined Group and be integral to the delivery of synergies and supporting the "best-of-breed" approach for employees; and (ii) Sebastien Maloney, currently CFO of Charter Court, will be retained as adviser to the

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<sup>12</sup> Statements on "quantified financial benefits" are the sole responsibility of OSB and the OSB Directors and neither Charter Court nor the Charter Court Directors assume any responsibility for any such statements.

Combined Group to facilitate the integration of Charter Court's in-house capital markets and balance sheet management capabilities into the Combined Group;

- the Charter Court Board is pleased to note that the executive team reporting to the board of the Combined Group will be selected on a best in class basis to ensure the key strengths of each company are preserved;
- the Charter Court Board further notes in respect of employees that the Combined Group has no intention to make any material changes to conditions of employment or the balance of skills and functions. The Charter Court Board also welcomes the confirmation that the existing contractual employment rights, including pension rights, of all Charter Court employees will be fully safeguarded following the completion of the Combination; and
- the Charter Court Board supports the integration plan to prioritise delivery of value to shareholders by focusing on low risk and high value cost saving opportunities. The Charter Court Board notes that, during the integration period, it is envisaged that both businesses will continue to operate such that each brand retains its market position through independent ordinary course of business decision making, thereby preserving expertise and minimising any operational disruption.

Following careful consideration of the above, the Charter Court Directors consider the terms of the Combination to be in the best interests of Charter Court and the Charter Court Shareholders as a whole.

## 8. Current trading

### *OneSavings Bank plc*

OSB released its results for the financial year ended 31 December 2018 on 14 March 2019, simultaneously with the publication of this Announcement. A copy of the OSB Preliminary Results Announcement will be made available on OSB's website at [www.osb.co.uk](http://www.osb.co.uk).

Since 31 December 2018, the OSB Group's financial performance has been in line with management's expectations.

### *Charter Court Financial Services Group plc*

Charter Court released its results for the financial year ended 31 December 2018 on 14 March 2019, simultaneously with the publication of this Announcement. A copy of the Charter Court Preliminary Results Announcement will be made available on Charter Court's website at [www.chartercourtfsc.co.uk](http://www.chartercourtfsc.co.uk).

During 2019, the financial performance of the Charter Court Group has been in line with the expectations of its management

## 9. Information relating to Charter Court

Charter Court began trading as a bank on 2 March 2015 and was admitted to the main market of the London Stock Exchange in October 2017. Charter Court joined the FTSE 250 index in

March 2018. Charter Court is a specialist lending and retail savings group authorised by the PRA and regulated by the FCA and PRA.

Based in Wolverhampton, the Charter Court Group trades under the Charter Savings Bank, Precise Mortgages, and Exact Mortgage Experts brands in the UK.

Charter Court firmly targets underserved market sub-sectors underpinned by positive long-term market dynamics, and where it has established expertise spanning the entire mortgage lifecycle through its highly-skilled and experienced teams. These markets include buy-to-let, residential, bridging and second charge mortgage lending. Charter Court uses a broad and effective distribution network of intermediaries to target its customers, and is differentiated through its scalable state-of-the-art automated technology and systems.

The Charter Court Group is predominantly funded by retail savings originated through the Charter Savings Bank brand, which includes online and postal channels. Diversification of funding is currently provided by access to a securitisation programme and the introduction of alternative retail savings products such as ISAs and pooled deposits.

For the 12 months ended 31 December 2018, Charter Court reported £7.8 billion of total assets and profit after tax of £120.8 million.

#### 10. **Information relating to OSB**

OSB began trading as a bank on 1 February 2011 and was admitted to the main market of the London Stock Exchange in June 2014. OSB joined the FTSE 250 index in June 2015. OSB is a specialist lending and retail savings group authorised by the PRA and regulated by the FCA and PRA.

Based in Chatham, Kent, the OSB Group trades under the Kent Reliance, InterBay Commercial, Prestige Finance, and Heritable Development Finance brands in the UK. The OSB Group also has a presence in the Channel Islands under the Jersey Home Loans and Guernsey Home Loans brands.

OSB primarily targets underserved market sub-sectors that offer high growth potential, attractive risk-adjusted returns and where it has established expertise, platforms and capabilities. These include private rented sector / professional buy-to-let, commercial and semi-commercial mortgages, residential development finance, bespoke and specialist residential lending and secured funding lines and asset finance. OSB targets its customers through specialist brokers and independent financial advisers, and is differentiated through its use of high skilled, bespoke underwriting and its efficient operating model.

The OSB Group is predominantly funded by retail savings originated through the long established Kent Reliance name, which includes online and postal channels, as well as a network of branches in the South East of England. Diversification of funding is currently provided by access to a securitisation programme and the Funding for Lending Scheme and Term Funding Scheme, which OSB joined in 2014 and 2016, respectively.

OSB's retail trading name "Kent Reliance" has over 150 years of heritage and can trace its roots back to 1847.

For the 12 months ended 31 December 2018, OSB reported £10.5 billion of total assets and profit after tax of £140.3 million.

## 11. Management, employees, locations and pension schemes

### Board and management of the Combined Group

Following completion of the Combination, and subject to regulatory approvals:

- Sir Malcolm Williamson, currently Chairman of Charter Court, will assume the Chairmanship of the Combined Group;
- Andy Golding and April Talintyre, currently CEO and CFO of OSB respectively, will retain their positions of CEO and CFO respectively in the Combined Group;
- David Weymouth, currently Chairman of OSB, will become the Deputy Chairman of the Combined Group and lead a Board Integration Committee with a clear focus on the delivery of cost synergies and the other expected benefits of the Combination;
- to ensure an appropriate balance of representation and governance, Noël Harwerth, Rajan Kapoor, Tim Brooke and Ian Ward, currently non-executive directors of Charter Court, will join the six current non-executive directors on the OSB Board, with Noël Harwerth joining as Senior Independent Director;
- Rajan Kapoor will chair the Audit Committee, Sir Malcolm Williamson will chair the Nomination and Governance Committee, Graham Allatt will chair the Risk Committee and Mary McNamara will chair the Remuneration Committee (the latter of which will comprise an equal number of members of the current OSB Board and the current Charter Court Board); and
- Peter Elcock will take on the group risk role with responsibility for the integration and convergence of the risk frameworks and function. Hasan Kazmi will remain CRO for the existing OSB business.

In addition, to ensure continuity and to deliver the benefits of the transaction to both sets of shareholders, following completion of the Combination, and subject to regulatory approvals:

- Ian Lonergan, currently CEO of Charter Court, will assume the role of Integration Director of the Combined Group for a period of up to 18 months to facilitate bringing together OSB's and Charter Court's capabilities to deliver the expected benefits of the Combination;
- Sebastien Maloney, currently CFO of Charter Court, will be retained as an adviser to the Combined Group for a period of up to 12 months to facilitate the integration of Charter Court's in-house capital markets and balance sheet management capabilities into the Combined Group in order to best establish the potential use of these capabilities across the enlarged balance sheet; and
- Philip Jenks, currently Deputy Chairman of Charter Court, will be retained as an adviser to the Integration Committee of the Combined Group for a period of up to 12 months.

### Employees

Following completion of the Combination, the executive leadership of the Combined Group will aim to retain the best talent of Charter Court and OSB. The OSB Board expects that, in order to achieve the expected benefits of the Combination, some operational and administrative restructuring may be required following completion of the Combination. The synergy work carried out to date has confirmed the potential to reduce the duplication of roles, in particular as a result of the overlap in central and support functions between OSB and Charter Court, as well as efficiencies from combined lending operations (as described in paragraphs 3 and 7 above), both of which are expected to lead to a decrease in the total number of full time employees in the Combined Group. It is currently expected that the total number of full time employees of the Combined Group, being approximately 1,684, will reduce by approximately 14 per cent., some of which would take place via natural attrition. This also does not take into account expected new roles to be created (primarily at OSB's India based operations). The restructuring is expected to be phased over three years following completion of the Combination, however, the detailed steps for such a restructuring are subject to further review and will be subject to any required consultation with employees and/or their representatives. It is expected that, where possible, the Combined Group will seek to review opportunities to reallocate staff from discontinued roles arising from the restructuring to other appropriate new roles that may be created from organic growth in the Combined Group.

It is not envisaged that there will be any material change to the balance of skills and functions of the employees and management in the Combined Group.

OSB intends to safeguard the existing contractual and statutory employment rights of the employees of OSB and Charter Court in accordance with applicable law upon completion of the Combination, and does not envisage making any material changes to the conditions of employment of the Charter Court employees. OSB has agreed that, following completion of the Combination, it will amend the redundancy policies operated within the Combined Group to provide, within a period following completion of the Combination to be agreed between OSB and Charter Court (and to be based on an anticipated integration period), an enhanced level of redundancy pay of twice statutory redundancy plus 1.5 weeks salary per year of service (with pro rata credit for part years' of service in respect of the 1.5 weeks).

### Charter Court Executive Directors

In connection with Ian Lonergan assuming the role of Integration Director of the Combined Group following the Combination, and Sebastien Maloney being retained as an adviser to the Combined Group following the Combination, OSB and Charter Court have agreed the following terms.

In respect of Ian Lonergan it has been agreed that, subject to the variations explained below, his current remuneration arrangements will continue during his service as Integration Director of the Combined Group. Following completion of the Combination, Ian Lonergan's annual bonus opportunity will be reduced from 125% of base salary per annum to 100% of base salary per annum. Any bonus will otherwise be delivered under OSB's normal annual bonus and deferral arrangements, save that in the event of a good leaver departure within six months of completion of the Combination any time based pro-rating would be based on a minimum of six months' assumed service. Ian Lonergan's existing awards under the Charter Court Share Plans will be treated in line with all other awards under the plans, including as to the grant of replacement

PSP awards, as summarised below at paragraph 15. If he remains in employment until the normal grant date, Ian Lonergan will participate in the OSB Performance Share Plan 2014 in 2020 at a grant level of 100% (reduced from the current level of 125%). As an employee of the Combined Group, Ian Lonergan will be subject to the amended enhanced redundancy arrangements to be implemented by OSB as referred to above, save that the redundancy payment for Ian Lonergan will be limited to statutory redundancy plus 1.5 weeks per year of service (with pro rata credit for part years' of service in respect of those 1.5 weeks). In the event of termination of his employment at the end of the period of 18 months from completion of the Combination, or earlier by OSB other than for cause, Ian Lonergan will not be required to serve any notice period and will be made a payment in lieu of 12 months' notice. The period of notice that Ian Lonergan will be required to give of his resignation will reduce on a monthly basis over the final 12 months of the period of the arrangement, so as not to exceed the full duration of the arrangement (subject to any statutory requirements as to minimum notice). On his departure the agreed intention is that Ian Lonergan will be treated for the purpose of his remuneration arrangements as a redundant good leaver save where the departure is as a result of his resignation or dismissal for cause. On such a good leaver departure, the agreed intention is that the vesting of performance share plan awards would occur, subject to performance and time pro-rating, at the time of the departure.

OSB has agreed that it is prepared to enter into an agreement with Sebastien Maloney on the same economic terms as are set out above in respect of Ian Lonergan, but reflecting Sebastien Maloney's current remuneration arrangements, and reflecting that it is intended that Sebastien Maloney will remain in the Combined Group for up to 12, rather than 18 months, and save that discussions are ongoing as to Sebastien Maloney's participation in the OSB Performance Share Plan 2014 in 2020. The final form of the arrangements to give effect to the agreed economic terms for Sebastien Maloney including as to the grant of replacement PSP awards as summarised below in paragraph 15 (or terms intended to provide a similar economic effect), have not yet been finalised.

All proposals are subject to obtaining any necessary or appropriate approvals from any regulatory authority, and to any provision of any applicable law or rule of any regulatory authority

As required by, and solely for the purposes of, Rule 16.2 of the Code, Credit Suisse has (in its capacity as independent adviser to Charter Court for the purposes of Rule 3 of the Code) reviewed the terms agreed and discussed in respect of Ian Lonergan and Sebastien Maloney as described above and considers them to be fair and reasonable. In providing its advice, Credit Suisse has taken into account the commercial assessments of the Charter Court Directors.

OSB has not held discussions in respect of the remuneration or incentive arrangements that may apply following completion of the Combination with any of the other Charter Court Directors.

#### Headquarters and locations

Upon completion of the Combination, OSB intends that the Combined Group will maintain its current locations and be headquartered in Chatham, United Kingdom. Charter Court's current headquarters in Wolverhampton will be retained as a centre of excellence. In addition, OSB and Charter Court intend to consolidate their existing London premises to a new premises in London following completion of the Combination.

The OSB Board does not envisage any other changes with regard to the redeployment of OSB or Charter Court's existing material fixed assets. Owing to the nature of its business, Charter Court has no research and development function.

### Pensions

Following completion of the Combination, OSB does not intend to make any material changes with regard to the agreed employer contributions into Charter Court's existing defined contribution pension schemes or the accrual of benefits to existing members or the admission of new members to such pension schemes.

### Brands

Following the completion of the Combination, OSB intends to retain and operate the lending brands of both OSB and Charter Court (including Kent Reliance, Interbay, Prestige and Precise Mortgages). In addition, OSB intends to operate both of OSB's and Charter Court's retail savings brands (Kent Reliance and Charter Savings Bank).

### Other

No statements in this paragraph 11 constitute "post-offer undertakings" for the purposes of Rule 19.5 of the City Code.

## **12. Offer-related arrangements**

### *Confidentiality Agreement*

OSB and Charter Court have entered into a mutual confidentiality agreement dated 19 November 2018, pursuant to which each of OSB and Charter Court has undertaken, among other things, to: (i) keep confidential information relating to the other party and not to disclose it to third parties (other than certain permitted disclosees) unless required by law or regulation; and (ii) use the confidential information for the sole purpose of considering, evaluating, advising on or furthering the Combination.

The agreement also contains customary standstill provisions (pursuant to which OSB will not, without Charter Court approval and subject to customary carve outs, acquire shares in Charter Court) which apply for a period of 12 months following the date of the agreement and undertakings from both OSB and Charter Court that, for a period of 12 months, subject to certain exceptions, neither OSB nor Charter Court will approach or solicit the other's directors, officers, senior managers and certain of their other employees.

### *Confidentiality and Joint Defence Agreement*

OSB, Charter Court and their respective legal counsels have also entered into a Confidentiality and Joint Defence Agreement dated 14 February 2019, the purpose of which is to ensure that the exchange and/or disclosure of certain materials relating to the parties and in relation to, in particular, the anti-trust workstream only takes place between their respective legal counsels and external experts, and does not diminish in any way the confidentiality of such materials and does not result in a waiver of any privilege, right or immunity that might otherwise be available.

### *Clean Team Confidentiality Agreement*

OSB and Charter Court have entered into a Clean Team Confidentiality Agreement dated 1 February 2019, which sets out how any confidential information that is competitively sensitive can be disclosed, used or shared for the purposes of due diligence, synergies evaluation, integration planning and regulatory clearance. Such commercially sensitive information must only be made available to the party receiving information through designated persons removed from day-to-day commercial/strategic operations and decisions and external professional advisers. The findings of such designated persons and the external advisers may only be relayed to other employees, officers and directors of the receiving party in specified circumstances and subject to certain restrictions.

### *Co-operation Agreement*

OSB and Charter Court have entered into a Co-operation Agreement dated 14 March 2019, pursuant to which OSB has agreed to diligently pursue the clearances required to satisfy the regulatory Conditions, with a view to satisfying such conditions as soon as is reasonably practicable. OSB and Charter Court have agreed to co-operate with each other in good faith to provide each other, in a timely manner, with such information, assistance and access as may reasonably be required in order to obtain the regulatory clearances and authorisations. OSB and Charter Court have also agreed to co-operate with each other in good faith to provide each other, in a timely manner, with such information, assistance and access as may reasonably be required for the preparation of the key shareholder documentation.

OSB has the right to terminate the Co-operation Agreement where:

- (i) the Charter Court Directors have withdrawn, qualified, adversely modified or failed to provide, or they have failed to reaffirm (when reasonably requested by OSB to do so) their unanimous and unconditional recommendation that the Charter Court Shareholders vote in favour of the Scheme (including prior to the publication of the Scheme Document, their intention to do so);
- (ii) the Charter Court General Meeting and/or the Court Meeting is not held on or before the later of: (a) the 22nd day after the expected date of such meetings as set out in the Scheme Document; and (b) 30 June 2019 (or such later date as may be agreed in writing between OSB and Charter Court with the consent of the Panel and the approval of the Court (if such approval is required));
- (iii) the Court Sanction Hearing is not held on or before the later of: (a) the 22nd day after the expected date of such hearing; and (b) 30 days after all the Conditions (other than the Scheme Condition) have been satisfied or waived;
- (iv) OSB has notified Charter Court of a Condition which is incapable of satisfaction or waiver by the Longstop Date (where its invocation is permitted by the Panel);
- (v) if a Condition is incapable of satisfaction, in circumstances where invocation of the relevant Condition is permitted by the Panel; or
- (vi) a competing transaction becomes effective or is recommended by the Charter Court Directors.



Charter Court has the right to terminate the Co-operation Agreement where:

- (i) the OSB Directors have withdrawn, qualified or modified in any adverse manner, or they have failed to reaffirm (when reasonably requested by Charter Court to do so) their unanimous and unconditional recommendation that the OSB Shareholders vote in favour of the OSB Resolutions at the OSB General Meeting (including, prior to the publication of the OSB Circular, their intention to do so);
- (ii) OSB fails to convene the OSB General Meeting prior to the date falling one month prior to the Longstop Date, or causes or permits any announcement to be made intimating that the OSB Directors will not convene the OSB General Meeting or dispatch the OSB Circular;
- (iii) the OSB Resolutions are not passed by the requisite majority at the OSB General Meeting; or
- (iv) if a competing transaction becomes effective.

OSB and Charter Court may also terminate the Co-operation Agreement by mutual consent.

OSB and Charter Court may also terminate the Co-operation Agreement by service of written notice on the other if the Combination is being implemented by way of the Scheme and:

- (i) the Scheme is not approved by the requisite majority of Charter Court Shareholders at the Court Meeting or the Charter Court Resolutions are not passed by the requisite majority at the Charter Court General Meeting; or
- (ii) the Court refuses to sanction the Scheme or grant the Scheme Court Order at the Sanction Hearing.

The Co-operation Agreement will also terminate if:

- (i) the Combination is withdrawn or lapses before the Longstop Date, other than where OSB has exercised its right to implement the Combination as an Offer (with the consent of the Panel and subject to the approval of Charter Court (or otherwise in accordance with the Co-operation Agreement)); or
- (ii) the Scheme (or Offer, as the case may be) has not become effective by the Longstop Date.

The Co-operation Agreement also contains provisions that will apply in respect of the Charter Court Share Plans and certain other employee incentive arrangements, including the terms agreed in respect of Ian Lonergan and Sebastien Maloney which are summarised at paragraph 11 above.

### 13. **Conditionality**

The Combination will be subject to the Conditions and certain further terms set out in Appendix I to this Announcement and to the full terms and conditions which will be set out in the Scheme Document, including, among other things, upon:

- (i) the CMA confirming, in terms reasonably satisfactory to OSB, that the Combination or any matter arising therefrom or related thereto or any part of it will not be subject to a reference under section 33 of the Enterprise Act 2002;
- (ii) in respect of OSB and each other person required to give a notice under section 178 of FSMA in connection with the Combination, the appropriate regulator(s) (as defined under section 178(2A) of FSMA) of each UK authorised person (as defined under section 191G of FSMA) over which the Combination contemplates an acquisition of or increase in control:
  - (a) giving notice for the purposes of section 189(4)(a) of FSMA that it has determined to approve such acquisition of or increase in control, which (if given on any terms which may reasonably be expected to have an adverse impact on the Wider OSB Group or the Wider Charter Court Group) is on terms satisfactory to OSB (acting reasonably); or
  - (b) being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of or increase in control;
- (iii) the Charter Court General Meeting and the Court Meeting being held no later than the later of: (a) the 22nd day after the expected date of such meetings as set out in the Scheme Document; and (b) 30 June 2019 or such later date as may be agreed in writing between OSB and Charter Court with the consent of the Panel and the approval of the Court (if such approval is required));
- (iv) the Scheme being approved by the requisite majority of Charter Court Shareholders at the Court Meeting and the Charter Court Resolutions being passed by the requisite majority of Charter Court Shareholders at the Charter Court General Meeting;
- (v) the OSB Resolutions being passed by the requisite majority of OSB Shareholders at the OSB General Meeting;
- (vi) the Scheme being sanctioned by the Court no later than the later of: (a) the 22nd day after the expected date of the Court Sanction Hearing to be set out in the Scheme Document; and (b) 30 days after all the Conditions (other than the Scheme Condition) have been satisfied or waived;
- (vii) the Scheme becoming effective by the Longstop Date; and
- (viii) Admission becoming effective.

In respect of Condition 4(B) (as summarised in paragraph 13(ii) above), under the terms of the irrevocable undertaking provided by Elliott in favour of OSB, Elliott has unconditionally undertaken to take (and to procure that all persons that are required to give notice under section 178 of FSMA in connection with the Combination by virtue of, or as a result of, any decision by Elliott to acquire or increase its interest in the New OSB Shares take) all reasonable steps to satisfy the Change in Control Condition in respect of its and any member of its group's proposed interest in the New OSB Shares as contemplated by the Combination. OSB has agreed not to waive the Change in Control Condition in respect of Elliott (if such Condition is applicable to Elliott) until the Change in Control Condition has been satisfied in respect of Elliott. Further

details of this irrevocable undertaking (including the circumstances in which it will fall away) are set out in Appendix III to this Announcement.

#### 14. **Scheme of Arrangement**

It is intended that the Combination will be effected by means of a Court-sanctioned scheme of arrangement between Charter Court and the Scheme Shareholders under Part 26 of the Companies Act.

The purpose of the Scheme is to provide for OSB to become the holder of the entire issued and to be issued share capital of Charter Court. This is to be achieved by the transfer of the Scheme Shares to OSB, in consideration for which the Scheme Shareholders will receive the Consideration.

To become effective, the Scheme must be approved at the Court Meeting by a majority in number representing at least 75 per cent. of the voting rights of the holders of Scheme Shares in issue as at the Voting Record Time (or the relevant class or classes thereof, if applicable) present and voting (and entitled to vote), either in person or by proxy, at such Court Meeting. The Scheme also requires the Charter Court Resolutions to be approved by at least 75 per cent. of the voting rights of Charter Court Shareholders present and voting, either in person or by proxy, at the Charter Court General Meeting and the OSB Resolutions being passed by the requisite majority of OSB Shareholders at the OSB General Meeting. It is expected that the Charter Court Meetings shall be convened no later than 30 June 2019 (or such other date as may be agreed between Charter Court and OSB), with the Charter Court General Meeting being expected to be held immediately after the Court Meeting. Following the Charter Court Meetings, the Scheme shall not become effective unless the Scheme is sanctioned by the Court (with or without modification but subject to any modification being on terms reasonably acceptable to Charter Court and OSB) and the Scheme Court Order is delivered to the Registrar of Companies for registration.

The Scheme is also subject to the Conditions and further terms set out in Appendix I to this Announcement and to the full terms and conditions that will be set out in the Scheme Document.

The Scheme Document will include full details of the Scheme, together with an explanatory statement providing details of the Combination, and the notices convening the Court Meeting and the Charter Court General Meeting. The Scheme Document will also contain the expected timetable for the Combination, and will specify the necessary actions to be taken by Charter Court Shareholders. The Scheme Document is expected to be despatched to Charter Court Shareholders and, for information only, to persons with information rights and holders of options granted under the Charter Court Share Plans, in Q2 2019 (subject to agreement between Charter Court and OSB, and the availability of the Court to approve the Scheme Document for posting). The Scheme Document and Forms of Proxy will be made available to all Charter Court Shareholders at no charge to them. For the purposes of paragraph 3(a) of Appendix 7 to the City Code, the Panel has consented to an extension of the applicable date for posting, such that Charter Court may post the Scheme Document by 14 June 2019.

Once the necessary approvals from Charter Court Shareholders and OSB Shareholders have been obtained and the other Conditions have been satisfied or (where applicable) waived and

the Scheme has been sanctioned by the Court, the Scheme will become effective upon delivery of the Scheme Court Order to the Registrar of Companies for registration.

Upon the Scheme becoming effective, it will be binding on all Charter Court Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Charter Court General Meeting (and if they attended and voted, whether or not they voted in favour).

If the Scheme does not become effective on or before the Longstop Date, it will lapse and the Combination will not proceed (unless the Panel otherwise consents).

The Scheme will be governed by English law and will be subject to the jurisdiction of the Court. The Scheme will be subject to the applicable requirements of the City Code, the Panel, the London Stock Exchange and the FCA.

#### **15. Charter Court Share Plans**

Charter Court and OSB have agreed the following arrangements in respect of awards under the Charter Court Share Plans, subject to any necessary or appropriate approvals from any regulatory authority, and to any provision of any applicable law or rules of any regulatory authority

##### **Treatment of existing awards**

Awards under the Charter Court Performance Share Plan 2014 will, in accordance with the rules of the plan, vest and become exercisable on the date on which the Court sanctions the Scheme subject to the satisfaction of the applicable performance conditions (as determined by the Charter Court remuneration committee). Awards granted in 2017 will vest without reduction for time and awards granted in 2018 and to be granted in 2019 will be pro rated for time.

Awards granted in 2019 under the Charter Court Deferred Bonus Plan 2014 will, in accordance with the rules of the plan, vest in full on the date on which the Court sanctions the Scheme.

Options granted under the Charter Court Sharesave Scheme will become exercisable on the date on which the Court sanctions the Scheme to the extent of participants' savings accrued to the date of exercise. Alternatively, OSB will offer participants the choice to roll-over options under the Charter Court Sharesave Scheme into equivalent options over OSB Shares.

Participants in the Charter Court Share Plans will be contacted regarding the effect of the Combination on their rights under these schemes and appropriate proposals will be made to such participants in due course. Details of the proposals will be set out in the Scheme Document or, as the case may be, the Offer Document and in separate letters to be sent to participants in the Charter Court Share Plans.

The Combination will extend to any Charter Court Shares which are unconditionally allotted, issued or transferred to satisfy the exercise of options or vesting of awards under the Charter Court Share Plans prior to the Scheme Record Time. As the Scheme will not extend to Charter Court Shares issued after the Scheme Record Time, it is proposed the Charter Court articles of association will be amended such that any Charter Court Share issued after the Scheme Record Time will be automatically transferred to OSB in consideration for the same consideration as is payable under the Scheme.

### **Continuation of PSP awards**

OSB has agreed that the portion of awards granted in 2018 and to be granted in 2019 under the Charter Court Performance Share Plan 2014 that do not vest due to time pro rating at the time of the sanction of the Scheme by the Court will be replaced by the grant of an award over an equivalent number of OSB Shares under terms substantively aligned with the OSB Performance Share Plan 2014, with such replacement awards to be subject to the same vesting schedule and performance conditions as apply to awards granted by OSB in 2018 and to be granted in 2019 respectively.

As required by, and solely for the purposes of, Rule 16.2 of the Code, Credit Suisse has (in its capacity as independent adviser to Charter Court for the purposes of Rule 3 of the Code) reviewed the terms of the replacement awards as described above and considers them to be fair and reasonable. In providing its advice, Credit Suisse has taken into account the commercial assessments of the Charter Court Directors.

### **16. OSB Shareholder approval and Prospectus**

The Combination constitutes a Class 1 transaction for OSB. Accordingly, OSB will be required to seek the approval of OSB Shareholders for the Combination at the OSB General Meeting.

The Combination is conditional on, among other things, the OSB Resolutions being passed by the requisite majority of OSB Shareholders at the OSB General Meeting (but not, for the avoidance of doubt, any other resolutions to be proposed at the OSB General Meeting which shall not be Conditions to the Combination). The OSB Directors intend to recommend unanimously OSB Shareholders to vote in favour of the OSB Resolutions at the OSB General Meeting.

OSB will prepare and send to OSB Shareholders the OSB Circular which will summarise the background to and reasons for the Combination and will include a notice convening the OSB General Meeting. The OSB Circular (together with the forms of proxy for use in connection with the OSB General Meeting) will be posted to OSB Shareholders at, or around, the same time as the Scheme Document is posted to Charter Court Shareholders, and the OSB General Meeting will be held at the same time and on the same date as the Court Meeting and/or the Charter Court General Meeting, and shall be convened no later than 30 June 2019 (or such other date as may be agreed between OSB and Charter Court).

OSB will also be required to produce the Prospectus in connection with the issue of the New OSB Shares and their Admission. The Prospectus will contain information relating to the Combination, the Combined Group and the New OSB Shares, and will be published at, or around, the same time as the Scheme Document is posted to Charter Court Shareholders.

### **17. Listing of New OSB Shares and delisting of Charter Court Shares**

Following completion of the Combination, the New OSB Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the OSB Shares in issue at the time the New OSB Shares are issued pursuant to the Combination, including, subject as outlined below, the right to receive and retain in full all dividends and other distributions (if any) announced, declared, made or paid, or any other return of capital (whether by reduction of share capital or

share premium account or otherwise) made, in each case by reference to a record date falling on or after the Effective Date.

Application will be made to the FCA and the London Stock Exchange respectively for Admission of the New OSB Shares. It is expected that Admission of the New OSB Shares will become effective, and dealings for normal settlement in the New OSB Shares will commence, at or shortly after 8.00 a.m. on the Effective Date.

The New OSB Shares to be issued pursuant to the Combination have not been, and will not be, listed on any stock exchange other than London Stock Exchange and, unless OSB otherwise elects in the event of an Offer, have not been, and will not be, registered under the US Securities Act or under any laws of any state, district or other jurisdiction, of the United States.

The last day of dealings in, and registration of transfers of, Charter Court Shares on the London Stock Exchange is expected to be the Business Day prior to the Effective Date and no transfers will be registered after 6:00pm on that date.

Prior to the Scheme becoming effective, it is intended that applications will be made to the London Stock Exchange to cancel trading in Charter Court Shares on its Main Market for listed securities and to the FCA to cancel the listing of the Charter Court Shares from the Official List, in each case with effect from or shortly following the Effective Date.

On the Effective Date, share certificates in respect of the Charter Court Shares will cease to be valid and should be destroyed, and, by the first Business Day after the Effective Date, entitlements held within the CREST system to the Charter Court Shares will be cancelled.

If the Scheme is sanctioned by the Court, any Charter Court Shares held in treasury will be cancelled prior to the Scheme Record Time.

## 18. Dividends

Under the terms of the Combination, OSB and Charter Court have agreed that:

- Charter Court Shareholders will be entitled to receive and retain:
  - the dividend of 12.7 pence per Charter Court Share in respect of the completed twelve-month period ended 31 December 2018, as announced by Charter Court in the Charter Court Preliminary Results Announcement; and
  - should completion of the Combination occur after the record date for Charter Court's 2019 half yearly interim dividend in respect of the completed six-month period ending 30 June 2019 (subject to such record date being no earlier than 20 August 2019), any dividend announced, declared, made or paid by Charter Court, prior to the Effective Date, in respect of the completed six-month period ending 30 June 2019 without any reduction to the Consideration, provided that such dividend does not exceed one third of the total dividend per Charter Court Share for the completed twelve-month period ended 31 December 2018,

(any such dividend (or part thereof) that is permissible under these criteria being a **"Charter Court Permitted Dividend"**); and

- OSB Shareholders will be entitled to receive and retain:
  - the dividend of 14.6 pence per OSB Share in respect of the completed twelve-month period ended 31 December 2018, as announced by OSB in the OSB Preliminary Results Announcement; and
  - should completion of the Combination occur after the record date for OSB's 2019 half yearly interim dividend in respect of the completed six-month period ending 30 June 2019 (subject to such record date being no earlier than 20 August 2019), any dividend announced, declared, made or paid by OSB, prior to the Effective Date, in respect of the completed six-month period ending 30 June 2019, provided that such dividend does not exceed one third of the total dividend per OSB Share for the completed twelve-month period ended 31 December 2018,

(any such dividend (or part thereof) that is permissible under these criteria being an "**OSB Permitted Dividend**").

If, on or after the date of this Announcement and prior to the Effective Date, any dividend and/or other distribution and/or other return of value is announced, declared, made or paid or becomes payable:

- in respect of Charter Court Shares, other than a Charter Court Permitted Dividend or a Charter Court Equalising Dividend, or in excess of a Charter Court Permitted Dividend or a Charter Court Equalising Dividend, OSB reserves the right (without prejudice to any right OSB may have, with the consent of the Panel, to invoke Condition 4(H)(ii) in Part A of Appendix I to this Announcement) to (at OSB's sole discretion): (i) reduce the Consideration by an amount equivalent to all or any part of such excess, in the case of Charter Court Permitted Dividends or Charter Court Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution, in which case any reference in this Announcement or in the Scheme Document (or, in the event that the Combination is to be implemented by means of an Offer, the Offer Document) to the Consideration will be deemed to be a reference to the Consideration as so reduced; and/or (ii) declare and pay an equalising dividend to OSB Shareholders so as to reflect the value attributable to all or any part of such excess, in the case of Charter Court Permitted Dividends or Charter Court Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution (any such equalising dividend declared or paid in accordance with this point (ii) being an "**OSB Equalising Dividend**"); and/or
- in respect of OSB Shares, other than an OSB Permitted Dividend or an OSB Equalising Dividend, or in excess of an OSB Permitted Dividend or an OSB Equalising Dividend, Charter Court shall be entitled to declare and pay an equalising dividend to Charter Court Shareholders so as to reflect the value attributable to all or any part of such excess, in the case of OSB Permitted Dividends or OSB Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution, without any consequential change to the Consideration (a "**Charter Court Equalising Dividend**").

### *Dividend policy for the Combined Group*

Given the expected strong capital generation and consistent with the current dividend policy of OSB and Charter Court, the Boards of OSB and Charter Court expect the Combined Group, following the completion of the Combination, to adopt a policy of paying out at least 25% of underlying profit after taxation attributable to ordinary shareholders.

Irrespective of the date on which the Effective Date falls, Charter Court Shareholders will not be entitled to receive any dividend planned, announced, declared, made or paid by OSB for the benefit of the OSB Shareholders by reference to a record date falling prior to the Effective Date.

### **19. Irrevocable Undertakings**

OSB has received irrevocable undertakings from the Charter Court Directors who hold Charter Court Shares and Elliott to vote in favour of the Scheme at the Court Meeting and the Charter Court Resolutions at the Charter Court General Meeting in respect of a total of 79,223,469 Charter Court Shares, representing, in aggregate, approximately 33.10 per cent. of the ordinary issued share capital of Charter Court on 13 March 2019, being the last Business Day before the date of this Announcement. Under the terms of its irrevocable undertakings, Elliott has unconditionally undertaken to take (and to procure that all persons that are required to give notice under section 178 of FSMA in connection with the Combination by virtue of, or as a result of, any decision by Elliott to acquire or increase its interest in the New OSB Shares take) all reasonable steps to satisfy the Change in Control Condition in respect of its and any member of its group's proposed interest in the New OSB Shares as contemplated by the Combination. In addition, OSB has received a letter of intent from Merian to vote in favour of the Scheme at the Court Meeting and the Charter Court Resolutions to be proposed at the Charter Court General Meeting in respect of 34,834,451 Charter Court Shares, representing, in aggregate approximately 14.56 per cent. of Charter Court's issued share capital.

In addition, Charter Court has received irrevocable undertakings from the OSB Directors who hold OSB Shares to vote in favour of the OSB Resolutions at the OSB General Meeting in respect of a total of 1,063,918 OSB Shares, representing, in aggregate, approximately 0.44 per cent. of the ordinary issued share capital of OSB on 13 March 2019, being the last Business Day before the date of this Announcement. Charter Court has also received a letter of intent from Merian to vote in favour of the OSB Resolutions to be proposed at the OSB General Meeting in respect of a total of 28,755,206 OSB Shares representing, in aggregate, approximately 11.76 per cent. of OSB's issued share capital.

Further details of these irrevocable undertakings and letters of intent (including the circumstances in which they will fall away) are set out in Appendix III to this Announcement.

### **20. Disclosure of interests in Charter Court**

In connection with the Combination and in accordance with the relevant provisions of the City Code, OSB will make a public Opening Position Disclosure setting out details of its interests or short positions in, or rights to subscribe for, any relevant securities of Charter Court by no later than 12 noon on 22 March 2019.



OSB's Opening Position Disclosure will include details of any interests or short positions in, or rights to subscribe for, any relevant securities of Charter Court held by all persons acting in concert with OSB.

As at the date of this Announcement, neither OSB, nor any of the OSB Directors, nor, so far as OSB is aware, any person acting in concert (within the meaning of the City Code) with OSB has:

- (i) any interest in or right to subscribe for any relevant securities (within the meaning of the City Code) of Charter Court; nor
- (ii) any short positions in respect of any relevant securities of Charter Court (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; nor
- (iii) borrowed or lent any relevant securities of Charter Court (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the City Code),

nor is any such person party to any dealing arrangement of the kind referred to in Note 11 of the definition of "acting in concert" in the City Code in relation to relevant securities of Charter Court.

'Interests in securities' for these purposes arise, in summary, when a person has long economic exposure, whether absolute or conditional, to changes in the price of securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person will be treated as having an 'interest' by virtue of the ownership, voting rights or control of securities, or by virtue of any agreement to purchase, option in respect of, or derivative referenced to, securities.

In the interests of secrecy prior to this Announcement, OSB has not made any enquiries in respect of the matters referred to in this paragraph of certain parties who may be deemed by the Panel to be acting in concert with OSB for the purposes of the Scheme. Further enquiries will be completed prior to publication of OSB's Opening Position Disclosure.

Charter Court confirms that it will make public Opening Position Disclosures setting out details of its interests or short positions in, or rights to subscribe for, any relevant securities of Charter Court and any relevant securities of OSB by no later than 12 noon on 22 March 2019 (including details of any interests or short positions in, or rights to subscribe for, any such relevant securities held by persons acting in concert with Charter Court).

## 21. **General**

OSB reserves the right to elect (with the consent of the Panel, and subject to the approval of Charter Court or as otherwise permitted under the terms of the Co-operation Agreement) to implement the acquisition of the Charter Court Shares by way of an Offer as an alternative to the Scheme. In such event, the Offer will be implemented on substantially the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect the terms of the Co-operation Agreement and, among other things, the change in structure by which the Combination is to be implemented and compliance with all applicable laws. If the Combination is effected by way of an Offer and such Offer becomes or is

declared unconditional in all respects and sufficient acceptances are received OSB intends to: (i) request the London Stock Exchange and the FCA cancel trading in Charter Court Shares on the London Stock Exchange's Main Market for listed securities and the listing of the Charter Court Shares from the Official List; and (ii) exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act to acquire compulsorily the remaining Charter Court Shares in respect of which the Offer has not been accepted.

The Combination will be made on the terms and subject to the Conditions and further terms set out in Appendix I to this Announcement. The sources of information and bases of calculations contained in this Announcement are set out in Appendix II to this Announcement. A summary of the irrevocable undertakings is contained in Appendix III to this Announcement. Appendix IV to this Announcement sets out the anticipated Quantified Financial Benefits Statement and contains details of, and bases of calculation of, the anticipated financial benefits of the Combination. Appendix V to this Announcement contains definitions of certain expressions used in this summary and in this Announcement.

Rothschild & Co, Barclays, KPMG, RBC Capital Markets and Credit Suisse have each given and not withdrawn their consent to the publication of this Announcement with the inclusion herein of the references to their names in the form and context in which they appear.

## **22. Documents available on a website**

Copies of the following documents will, by no later than 12 noon on 15 March 2019, be made available on OSB's website at [www.osb.co.uk](http://www.osb.co.uk) and on Charter Court's website at [www.chartercourtfsc.co.uk](http://www.chartercourtfsc.co.uk) until the Effective Date:

- (i) this Announcement;
- (ii) the irrevocable undertakings and letters of intent referred to in paragraph 19 above and summarised in Appendix III to this Announcement;
- (iii) the Co-operation Agreement described in paragraph 12 above;
- (iv) the Confidentiality Agreement, the Confidentiality and Joint Defence Agreement and the Clean Team Confidentiality Agreement described in paragraph 12 above; and
- (v) the consent letters from each of Rothschild & Co, Barclays, KPMG, RBC Capital Markets and Credit Suisse as referred to in paragraph 21 above.

For the avoidance of doubt, the contents of the websites referred to in this Announcement are not incorporated into and do not form part of this Announcement.

## **23. Overseas Shareholders**

The availability of the Combination, New OSB Shares under the Combination, and the distribution of this Announcement, to persons who are not resident in the United Kingdom or the ability of those persons to hold such securities, may be affected by the laws or regulatory requirements of the relevant jurisdiction in which they are resident. Persons into whose possession this Announcement comes who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements. Charter Court Shareholders

who are in any doubt regarding such matters should consult an appropriate independent financial adviser in their relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Announcement is provided for information purposes only. It is not intended to, and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, exchange, sell or otherwise dispose of any securities. Charter Court Shareholders are advised to read carefully the Scheme Document, the Prospectus, and the related Forms of Proxy once these have been dispatched.

The New OSB Shares to be issued pursuant to the Combination have not been, and, unless OSB otherwise elects in the event of an Offer, will not be, registered under the US Securities Act or under any laws of any state, district or other jurisdiction, of the United States. Accordingly, unless an exemption under relevant securities laws is available, including the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof, the New OSB Shares are not being, and may not be, offered, sold, resold, delivered or distributed, directly or indirectly, in, into or from the United States. Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved of the New OSB Shares, or determined if this Announcement is accurate or complete. Any representation to the contrary is a criminal offence. Clearances have not been, nor will they be, obtained from the securities commission or similar authority of any province or territory of Canada and no prospectus has been, or will be, filed, or registration made, under any securities law of any province or territory of Canada, nor has a prospectus in relation to the New OSB Shares been, nor will one be, lodged with, or registered by, the Australian Securities and Investments Commission, nor have any steps been taken, nor will any steps be taken, to enable the New OSB Shares to be offered in compliance with applicable securities laws of Japan, and no regulatory clearances in respect of the New OSB Shares have been, or will be, applied for in any other jurisdiction.

#### **24. Analyst and investor presentations**

There will be an analysts' briefing at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED today at 9.30 a.m. There will also be a live audio webcast of this briefing. Information on how to access the live audio webcast can be found in the 'Investors' section of the OSB website at [www.osb.co.uk](http://www.osb.co.uk).

The recorded audio webcast (together with the accompanying slides) will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, in due course on OSB's website at [www.osb.co.uk](http://www.osb.co.uk) and on Charter Court's website at [www.chartercourtfsc.co.uk](http://www.chartercourtfsc.co.uk). The contents of the websites referred to in this Announcement are not incorporated into and do not form part of this Announcement.

**Enquiries:****OneSavings Bank plc**

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Sandra Novakov

Tel: +44 (0) 20 7638 9571

Michael Russell

Slaughter and May are retained as legal adviser to OSB. Linklaters LLP are retained as legal adviser to Charter Court.

***Important notice related to financial advisers***

*Rothschild & Co, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for OSB and for no one else in connection with the subject matter of this Announcement and will not be responsible to anyone other than OSB for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this Announcement.*

*Barclays, which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for OSB and no-one else in relation to the subject matter of this Announcement and will not be responsible to anyone other than OSB for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this Announcement. In accordance with the City Code, normal United Kingdom market practice and Rule 14e-5(b) of the US Exchange Act, Barclays and its affiliates will continue to act as exempt principal trader in OSB and Charter Court securities on the London Stock Exchange. These purchases and activities by exempt principal traders which are required to be made public in the United Kingdom pursuant to the City Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com). This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.*

*RBC Capital Markets, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting for Charter Court and no one else in connection with the matters referred to in this Announcement and will not be responsible to anyone other than Charter Court for providing the protections afforded to clients of RBC Capital Markets, or for providing advice in connection with the matters referred to in this Announcement.*

*Credit Suisse, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting as financial adviser exclusively for Charter Court and no one else in connection with the matters set out in this Announcement and will not be responsible to any person other than Charter Court for providing the protections afforded to clients of Credit Suisse, nor for providing advice in relation to the content of this Announcement or any matter referred to herein. Neither Credit Suisse nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Credit Suisse in connection with this Announcement, any statement contained herein or otherwise.*

#### **Further information**

*This Announcement is provided for information purposes only. It is not intended to, and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, exchange, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Combination or otherwise, nor will there be any sale, issuance, exchange or transfer of securities of OSB or Charter Court pursuant to the Combination or otherwise in any jurisdiction in contravention of applicable law.*

*The Combination will be subject to English law and to the applicable requirements of the City Code, the Panel, the Listing Rules, the London Stock Exchange, the Financial Conduct Authority and the Prudential Regulation Authority.*

*Charter Court will prepare the Scheme Document to be distributed to Charter Court Shareholders. OSB will prepare the OSB Circular to be distributed to OSB Shareholders and will also publish the Prospectus containing information on the New OSB Shares and the Combined Group (and, in the event that the Combination is to be implemented by means of an Offer, the Offer Document). The Combination will be implemented solely pursuant to the terms of the Scheme Document (or, in the event that the Combination is to be implemented by means of an*

*Offer, the Offer Document), which, together with the Forms of Proxy, will contain the full terms and conditions of the Combination, including details of how to vote in respect of the Combination. Charter Court Shareholders are advised to read the Scheme Document (including the related Forms of Proxy and forms of election) (and/or, in the event that the Combination is to be implemented by way of an Offer, the Offer Document) and the Prospectus carefully once these become available because they will contain important information in relation to the Combination, the New OSB Shares and the Combined Group. Any vote in respect of resolutions to be proposed at the Charter Court General Meeting, and any decision in respect of the Scheme or other response in relation to the Combination, by Charter Court Shareholders should be made only on the basis of the information contained in the Scheme Document (and/or, in the event that the Combination is to be implemented by way of an Offer, the Offer Document) and the Prospectus (including any supplementary prospectus, if relevant). Any vote in respect of resolutions to be proposed at the OSB General Meeting by OSB Shareholders should be made only on the basis of information contained in the OSB Circular (including any supplementary circular, if relevant).*

*The New OSB Shares are not being offered to the public by means of this Announcement.*

*This Announcement does not constitute a prospectus or prospectus equivalent document.*

*OSB reserves the right to elect (with the consent of the Panel, and subject to the approval of Charter Court or as otherwise permitted under the terms of the Co-operation Agreement) to implement the acquisition of the Charter Court Shares by way of an Offer as an alternative to the Scheme. In such event, the Offer will be implemented on substantially the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect the terms of the Co-operation Agreement and, among other things, the change in structure by which the Combination is to be implemented and compliance with all applicable laws.*

### **Restricted Jurisdictions**

*The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons into whose possession this Announcement comes who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe any applicable requirements. In particular, the ability of persons who are not resident in the United Kingdom to vote their Charter Court Shares with respect to the Scheme at the Court Meeting, to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting on their behalf, or to hold and vote OSB Shares, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with such requirements may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and other persons involved in the Combination disclaim any responsibility or liability for any violation of such restrictions by any person.*

*This Announcement has been prepared for the purpose of complying with English law and the City Code, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.*

*Unless otherwise determined by OSB or required by the City Code, and permitted by applicable law and regulation, the Combination will not be made available directly or indirectly in, into or from a Restricted Jurisdiction or where to do so would violate the laws of that jurisdiction. No person may vote in favour of the Combination by any use, means, instrumentality or form, and the Combination will not be capable of acceptance, from or within a Restricted Jurisdiction, if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this Announcement and any documentation relating to the Combination are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from any Restricted Jurisdiction where to do so would violate the laws in that jurisdiction. If the Combination is implemented by way of an Offer (unless otherwise permitted by applicable law and regulation), the Offer may not be made directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer may not be capable of acceptance by any such use, means, instrumentality or facilities.*

*The availability of the Combination, New OSB Shares under the Combination, or this Announcement to persons who are not resident in the United Kingdom or the ability of those persons to hold such securities, may be affected by the laws or regulatory requirements of the relevant jurisdiction in which they are resident. Persons into whose possession this Announcement comes who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements. Charter Court Shareholders who are in any doubt regarding such matters should consult an appropriate independent financial adviser in their relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.*

*The New OSB Shares may not be offered, sold or delivered, directly or indirectly, in, into or from any Restricted Jurisdiction or to, or for the account or benefit of, any Restricted Overseas Persons except pursuant to an applicable exemption from, or in a transaction not subject to, applicable securities laws of those jurisdictions, or otherwise permitted under applicable securities laws of those jurisdictions.*

*Further details in relation to Charter Court Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom will be contained in the Scheme Document.*

**Notes to US Investors**

*Charter Court Shareholders in the United States should note that the Combination relates to the shares of an English company and is proposed to be made by means of a scheme of arrangement provided for under, and governed by, the law of England and Wales. If the Combination is carried out under such Scheme, it is expected that the New OSB Shares to be issued pursuant to the Combination would be issued in reliance upon the exemption from the registration requirements under the US Securities Act provided by Section 3(a)(10) thereof and would not be registered under the US Securities Act. Securities issued pursuant to the Scheme will not be registered under any laws of any state, district or other jurisdiction of the United States, and may only be issued to persons resident in such state, district or other jurisdiction pursuant to an exemption from the registration requirements of such laws.*

*Neither the proxy solicitation nor the tender offer rules under the US Exchange Act will apply to the Scheme. Moreover, the Scheme will be subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. If OSB were to elect to implement the Combination by means of a takeover offer and determines to extend such takeover offer into the United States, such takeover offer will be made in compliance with all applicable laws and regulations, including the US Securities Act and Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such a takeover would be made in the United States by OSB and no one else. In addition to any such takeover offer, OSB, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Charter Court outside such takeover offer during the period in which such takeover offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com).*

*Financial information included in this Announcement and the Scheme Document has been or will be prepared in accordance with accounting standards applicable in the UK and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.*

*Charter Court and OSB are organised under the laws of England and Wales. All of the officers and directors of Charter Court and OSB are residents of countries other than the United States. It may not be possible to sue Charter Court and OSB, or any of their respective directors, officers or affiliates, in a non-US court for violations of US securities laws. It may be difficult to compel Charter Court, OSB and their respective directors, officers and affiliates to subject themselves to the jurisdiction and judgment of a US court.*

### **Forward looking statements**

*This Announcement contains certain statements about OSB and Charter Court that are or may be forward looking statements, including with respect to the Combination involving OSB and Charter Court. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on assumptions, expectations, valuations, targets, estimates, forecasts and projections of OSB and Charter Court about future events, and are therefore subject to risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied by the forward looking statements. All statements other than statements of historical facts included in this Announcement may be*



*forward looking statements. Without limitation, forward looking statements often include words such as “targets”, “plans”, “believes”, “hopes”, “continues”, “expects”, “aims”, “intends”, “will”, “may”, “should”, “would”, “could”, “anticipates”, “estimates”, “will look to”, “budget”, “strategy”, “would look to”, “scheduled”, “goal”, “prepares”, “forecasts”, “cost-saving”, “is subject to”, “synergy”, “projects” or words or terms of similar substance or the negative thereof.*

*By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this Announcement could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the possibility that the Combination will not be pursued or consummated, failure to obtain necessary regulatory approvals or to satisfy any of the other conditions to the Combination if it is pursued, adverse effects on the market price of OSB’s or Charter Court’s ordinary shares and on OSB’s or Charter Court’s operating results because of a failure to complete the Combination, failure to realise the expected benefits of the Combination, negative effects relating to the announcement of the Combination or any further announcements relating to Combination or the consummation of the Combination on the market price of OSB’s or Charter Court’s ordinary shares, significant transaction costs and/or unknown liabilities, the Combined Group incurring and/or experiencing unanticipated costs and/or delays (including IT system failures, cyber-crime, fraud and pension scheme liabilities), general economic and business conditions that affect the combined companies following the consummation of the Combination, changes in global, political, economic, business, competitive, market and regulatory forces (including exposures to terrorist activities, the repercussions of the UK’s referendum vote to leave the European Union, the UK’s exit from the European Union and Eurozone instability), future exchange and interest rates, changes in tax laws, regulations, rates and policies, future business combinations or disposals and competitive developments. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and you are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this Announcement.*

*All forward looking statements contained in this Announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.*

*Each forward-looking statement speaks only as of the date of this Announcement. Neither OSB nor Charter Court, nor any of their respective associates or directors, officers or advisers, provides any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Announcement will actually occur. Other than in accordance with their legal or regulatory obligations (including under the City Code, the Listing Rules and the Disclosure Guidance and Transparency Rules), neither the OSB Group nor the Charter Court Group is under, or undertakes, any obligation, and each of the foregoing expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

**No profit forecasts or estimates**

*Nothing in this Announcement (including any statement of estimated costs savings or synergies) is intended as a profit forecast or estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per share or dividend per share for OSB or Charter Court, as appropriate, for the current or future financial years*

would necessarily match or exceed the historical published earnings or earnings per share or dividend per share for OSB or Charter Court, as appropriate.

### **Quantified Financial Benefits Statement**

*Appendix IV sets out the anticipated Quantified Financial Benefits Statement and contains details of, and bases of calculation of, the anticipated financial benefits of the Combination, together with the related reports from OSB's reporting accountant, KPMG, and OSB's financial advisers, Rothschild & Co and Barclays, as required under Rule 28.1(a) of the City Code, and provides underlying information and bases for the accountant's and advisers' respective reports. Rothschild & Co and Barclays, as financial advisers to OSB, have provided such report for the purposes of the City Code stating that, in their opinion and subject to the terms of the report, the Quantified Financial Benefits Statement, for which the OSB Directors are responsible, has been prepared with due care and consideration. Each of KPMG, Rothschild & Co and Barclays has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.*

*For the purpose of Rule 28 of the City Code, the Quantified Financial Benefits Statement contained in this Announcement is the responsibility of OSB and the OSB Directors. Any statement of intention, belief or expectation for the Combined Group following the Effective Date is an intention, belief or expectation of the OSB Directors and not of the Charter Court Directors.*

*The statements in the Quantified Financial Benefits Statement relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following the Effective Date, or in any subsequent period, would necessarily match or be greater than or be less than those of OSB and/or Charter Court for the relevant preceding financial period or any other period.*

### **Disclosure requirements of the City Code**

*Under Rule 8.3(a) of the City Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the City Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.*

### **Electronic communications**

*Please be aware that addresses, electronic addresses and certain other information provided by Charter Court Shareholders, persons with information rights and other relevant persons for the receipt of communications from Charter Court may be provided to OSB during the Offer Period as required under Section 4 of Appendix 4 of the City Code to comply with Rule 2.11 of the City Code.*

### **Publication on website and availability of hard copies**

*A copy of this Announcement and the documents required to be published by Rule 26 of the City Code will be made available (subject to certain restrictions relating to persons resident in Restricted Jurisdictions), on OSB's website at [www.osb.co.uk](http://www.osb.co.uk) and Charter Court's website at [www.chartercourtfsc.co.uk](http://www.chartercourtfsc.co.uk) by no later than 12 noon (London time) on the Business Day following this Announcement. For the avoidance of doubt, the contents of those websites are not incorporated into, and do not form part of, this Announcement.*

*OSB Shareholders and Charter Court Shareholders may request a hard copy of this Announcement by: (i) contacting Equiniti during business hours on 0371 384 2050 if calling from the United Kingdom, or +44 121 415 0259 if calling from outside the United Kingdom (lines are open from 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales)); or (ii) by submitting a request in writing to Equiniti at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom. If you have received this*

*Announcement in electronic form, copies of this Announcement and any document or information incorporated by reference into this document will not be provided unless such a request is made. OSB Shareholders and Charter Court Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Combination should be in hard copy form.*

*If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.*

***Rounding***

*Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.*

***Other***

*The International Securities Identification Number for OSB is GB00BM7S7K96 and the International Securities Identification Number for Charter Court Shares is GB00BD822578.*

**APPENDIX I****CONDITIONS TO AND CERTAIN FURTHER TERMS OF THE TRANSACTION****Part A: Conditions to the Scheme and the Combination****Longstop Date**

1. The Combination is conditional upon the Scheme becoming unconditional and effective, subject to the provisions of the City Code, by not later than the Longstop Date.

**Scheme approval**

2. The Scheme will be subject to the following conditions:
  - (A) its approval by a majority in number of the Scheme Shareholders who are present and voting (and who are entitled to vote), whether in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court (or at any adjournment of any such meetings), such majority representing not less than 75 per cent. in value of the Scheme Shares voted by such holders of the Scheme Shares in issue as at the Voting Record Time (or the relevant class or classes thereof, if applicable), such Court Meeting and any such separate class meeting to be held on or before the later of: (i) the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document; and (ii) the Shareholder Approval Longstop Date (or such later date, if any, as OSB and Charter Court may with the consent of the Panel agree and the Court may allow);
  - (B) the Charter Court Resolutions being duly passed by the requisite majority or majorities of Charter Court Shareholders at the Charter Court General Meeting, or at any adjournment thereof, such Charter Court General Meeting to be held on or before the later of: (i) the 22nd day after the expected date of the Charter Court General Meeting to be set out in the Scheme Document; and (ii) the Shareholder Approval Longstop Date (or such later date, if any, as OSB and Charter Court may with the consent of the Panel agree and the Court may allow); and
  - (C) the sanction of the Scheme by the Court (with or without modification, but subject to any modification being on terms acceptable to OSB and Charter Court) on or before the later of: (i) the 22nd day after the expected date of the Court Sanction Hearing to be set out in the Scheme Document; and (ii) thirty days after all the Conditions (other than this Condition 2) have been satisfied or waived (or such later date, if any, as OSB and Charter Court may with the consent of the Panel agree and the Court may allow) and the delivery of a copy of the Scheme Court Order to the Registrar of Companies in England and Wales for registration.

### OSB Shareholder approval

3. The Combination will be conditional upon the OSB Resolutions being duly passed by the requisite majority or majorities of OSB Shareholders at the OSB General Meeting, or at any adjournment thereof.

### General Conditions

4. In addition, subject as stated in Part B below and to the requirements of the Panel, OSB and Charter Court have agreed that the Combination will be conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme effective will not be taken unless the following Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

#### Admission of the New OSB Shares

- (A) the FCA having acknowledged to OSB or its agent (and such acknowledgement not having been withdrawn) that the application for the Admission of the New OSB Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (such conditions being the “**listing conditions**”)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied; and (ii) the London Stock Exchange having acknowledged to OSB or its agent (and such acknowledgement not having been withdrawn) that the New OSB Shares will be admitted to trading on the Main Market;

#### Regulatory clearances

- (B) in respect of OSB and each other person required to give a notice under section 178 of FSMA in connection with the Combination, the appropriate regulator(s) (as defined under section 178(2A) of FSMA) of each UK authorised person (as defined under section 191G of FSMA) over which the Combination contemplates an acquisition of or increase in control:
  - (i) giving notice for the purposes of section 189(4)(a) of FSMA that it has determined to approve such acquisition of or increase in control, which (if given on any terms which may reasonably be expected to have an adverse impact on the Wider OSB Group or the Wider Charter Court Group) is on terms satisfactory to OSB (acting reasonably); or
  - (ii) being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of or increase in control,

where references to FSMA are read, where applicable, with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774) (as amended from time to time);

- (C) the CMA confirming, in terms reasonably satisfactory to OSB, that the Combination or any matter arising therefrom or related thereto or any part of it

will not be subject to a reference under sections 22 or 33 of the Enterprise Act 2002;

### **Notifications, waiting periods and Authorisations**

- (D) other than in relation to the matters referred to in Conditions 4(B) and 4(C), all relevant Third Parties having waived (or not exercised within any applicable time limits) any termination right, right of pre-emption, first refusal or similar right (which is or could be material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination) arising as a result of or in connection with the Combination and the acquisition or the proposed acquisition of any shares or other securities in, or control or management of, Charter Court or any other member of the Wider Charter Court Group by any member of the Wider OSB Group;
  
- (E) other than in relation to the matters referred to in Conditions 4(B) and 4(C), all material notifications, filings or applications which are deemed necessary by OSB having been made in connection with the Combination and all necessary waiting periods and other necessary time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any jurisdiction having been complied with in each case in respect of the Combination and all Authorisations deemed reasonably necessary by OSB in any jurisdiction for or in respect of the Combination and the acquisition or the proposed acquisition of any shares or other securities in, or control or management of, Charter Court or any other member of the Wider Charter Court Group by any member of the Wider OSB Group having been obtained in terms and in a form satisfactory to OSB from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider Charter Court Group or the Wider OSB Group has entered into contractual arrangements and all such Authorisations necessary, appropriate or desirable to carry on the business of any member of the Wider Charter Court Group in any jurisdiction having been obtained and all such Authorisations remaining in full force and effect at the time at which the Combination becomes otherwise effective and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations;

### **General antitrust and regulatory**

- (F) other than in relation to the matters referred to in Conditions 4(B) and 4(C), no antitrust regulator or other Third Party having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference (and in each case, not having withdrawn the same), or having required any action to be taken or otherwise having done anything, or having enacted, made or proposed any statute, regulation, decision, order or change to published practice (and in each case, not having withdrawn the same) and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:

- (i) require, prevent or materially delay the divestiture or materially alter the terms envisaged for such divestiture by any member of the Wider OSB Group or by any member of the Wider Charter Court Group of all or any material part of their respective businesses, assets or property or impose any limitation on the ability of all or any of them to conduct their respective businesses (or any part thereof) or to own, control or manage any of their assets or properties (or any part thereof);
- (ii) except pursuant to Chapter 3 of Part 28 of the Companies Act, require any member of the Wider OSB Group or the Wider Charter Court Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider Charter Court Group or any asset owned by any Third Party (other than in the implementation of the Combination);
- (iii) impose any limitation on, or result in a delay in, the ability of any member of the Wider OSB Group directly or indirectly to acquire, hold or to exercise effectively all or any rights of ownership in respect of shares or loans or securities convertible into shares or other securities in any member of the Wider Charter Court Group or on the ability of any member of the Wider Charter Court Group or any member of the Wider OSB Group directly or indirectly to hold or exercise effectively all or any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise voting or management control over, any member of the Wider Charter Court Group, to an extent which is or could be material in the context of the Combined Group taken as a whole or material in the context of the Combination;
- (iv) otherwise adversely affect any or all of the business, assets, profits or prospects of any member of the Wider Charter Court Group or any member of the Wider OSB Group;
- (v) result in any member of the Wider Charter Court Group or any member of the Wider OSB Group ceasing to be able to carry on business under any name under which it presently carries on business;
- (vi) make the Combination (including the Scheme), its implementation or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, Charter Court by any member of the Wider OSB Group void, unenforceable and/or illegal under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, materially prevent or prohibit, restrict, restrain or delay or otherwise, to a material extent or otherwise, materially interfere with the implementation of, or impose material additional conditions or obligations with respect to, or otherwise challenge, impede, interfere or require material amendment of the Combination or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, Charter Court by any member of the Wider OSB Group;



- (vii) require, prevent or materially delay a divestiture by any member of the Wider OSB Group of any shares or other securities (or the equivalent) in any member of the Wider Charter Court Group or any member of the Wider OSB Group, to an extent which is or could be material in the context of the Combined Group taken as a whole or material in the context of the Combination; or
- (viii) impose any material limitation on the ability of any member of the Wider OSB Group or any member of the Wider Charter Court Group to conduct, integrate or co-ordinate all or any part of its business with all or any part of the business of any other member of the Wider OSB Group and/or the Wider Charter Court Group,

and all applicable waiting and other time periods (including any extensions thereof) during which any such antitrust regulator or other Third Party could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the Combination or the acquisition or proposed acquisition of any Charter Court Shares or otherwise intervene having expired, lapsed or been terminated;

**Certain matters arising as a result of any arrangement, agreement, etc.,**

- (G) except as Disclosed, there being no provision of any arrangement, agreement, lease, licence, franchise, permit or other instrument to which any member of the Wider Charter Court Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or be subject or any event or circumstance which, as a consequence of the Combination or the acquisition or the proposed acquisition by any member of the Wider OSB Group of any shares or other securities (or the equivalent) in Charter Court or because of a change in the control or management of any member of the Wider Charter Court Group or otherwise, could or might reasonably be expected to result in:
  - (i) any monies borrowed by, or any other indebtedness, actual or contingent, of, or any grant available to, any member of the Wider Charter Court Group being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
  - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Charter Court Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen) becoming enforceable;
  - (iii) any such arrangement, agreement, lease, licence, franchise, permit or other instrument being terminated or the rights, liabilities, obligations or interests of any member of the Wider Charter Court Group being

terminated or adversely modified or adversely affected or any obligation or liability arising or any adverse action being taken or arising thereunder;

- (iv) the rights, liabilities, obligations, interests or business of any member of the Wider Charter Court Group or any member of the Wider OSB Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider Charter Court Group or any member of the Wider OSB Group in or with any other person or body or firm or company (or any arrangement or arrangements relating to any such interests or business) being or becoming capable of being terminated, or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken thereunder;
- (v) any assets or interests of any member of the Wider Charter Court Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged;
- (vi) any member of the Wider Charter Court Group ceasing to be able to carry on business under any name under which it presently carries on business;
- (vii) the value of, or the financial or trading position or prospects of, any member of the Wider Charter Court Group being prejudiced or adversely affected; or
- (viii) the creation or acceleration of any liability (actual or contingent) by any member of the Wider Charter Court Group,

and no event having occurred which, under any provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Wider Charter Court Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, would result in any of the events or circumstances as are referred to in Conditions 4(G)(i) to 4(G)(viii) (inclusive);

**Certain events occurring since 30 June 2018**

- (H) except as Disclosed, no member of the Wider Charter Court Group having since 30 June 2018:
  - (i) issued or agreed to issue or authorised or proposed the issue, of additional shares of any class (including, without limitation, Charter Court Shares), or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities or transferred or sold or agreed to transfer or sell or authorised or proposed the transfer or sale of Charter Court Shares out of treasury

(except, where relevant, as between Charter Court and wholly owned subsidiaries of Charter Court or between the wholly owned subsidiaries of Charter Court and except for the issue or transfer out of treasury of Charter Court Shares on the exercise of employee share options or vesting of employee share awards in the ordinary course under the Charter Court Share Plans);

- (ii) recommended, declared, paid or made or resolved to recommend, declare, pay or make any bonus, dividend or other distribution (whether payable in cash or otherwise) other than: (i) dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made by any wholly owned subsidiary of Charter Court to Charter Court or any of its wholly owned subsidiaries; and (ii) Charter Court Permitted Dividends and Charter Court Equalising Dividends declared, made or paid by Charter Court by reference to a record date which falls prior to the Effective Date;
- (iii) other than pursuant to the Combination (and except for transactions between Charter Court and its wholly owned subsidiaries or between the wholly owned subsidiaries of Charter Court and transactions in the ordinary course of business) implemented, effected, authorised or proposed or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, subdivision, scheme, commitment or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof) in any undertaking or undertakings in any such case to an extent which is or could be material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination;
- (iv) except for transactions between Charter Court and its wholly owned subsidiaries or between the wholly owned subsidiaries of Charter Court, and except for transactions in the ordinary course of business, disposed of, or transferred, mortgaged or charged, or created any security interest over any asset or any right, title or interest in any asset (including shares and trade investments) or authorised, proposed or announced any intention to do so in a manner which is or could be material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination;
- (v) except for transactions between Charter Court and its wholly owned subsidiaries or between the wholly owned subsidiaries of Charter Court and except for transactions in the ordinary course, issued, authorised or proposed or announced an intention to authorise or propose, the issue of or made any change in or to the terms of any debentures or become subject to any contingent liability or incurred or increased any indebtedness which is or could be material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination;

- (vi) entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, arrangement, agreement, transaction or commitment (whether in respect of capital expenditure or otherwise) which is outside of the ordinary course and is of a long-term, unusual or onerous nature or magnitude or which is or which involves an obligation of a nature or magnitude which is or could be restrictive on the businesses of any member of the Wider Charter Court Group or the Wider OSB Group and/or as a whole, and in either case which is or could be material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination;
- (vii) entered into or materially varied the terms of, or made any offer (which remains open for acceptance) to enter into or materially vary the terms of any contract, service agreement, commitment or arrangement with any director or senior executive of Charter Court, other than as agreed by the Panel or agreed with OSB;
- (viii) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any employee of the Wider Charter Court Group which are or could be material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination, other than salary increases, bonuses or variations of terms in the ordinary course as agreed by the Panel and/or OSB (as applicable);
- (ix) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, except in respect of the matters mentioned in paragraph 4(H)(i) above, made any other change to any part of its share capital;
- (x) except in the ordinary course of business, waived, compromised or settled any claim by or against any member of the Wider Charter Court Group which is or could be material in the context of the Wider Charter Court Group as a whole or material in the context of the Combination;
- (xi) terminated or varied the terms of any agreement or arrangement which is of a long term or unusual nature between any member of the Wider Charter Court Group and any other person in a manner which is materially adverse to the Wider Charter Court Group taken as a whole;
- (xii) except in relation to changes made or agreed as a result of or arising from, changes to legislation, made or agreed or consented to or procured any change to, or the custodian or trustee of any scheme having made a change to:
  - (a) the terms of the governing documents of any pension scheme(s) established by any member of the Wider Charter Court Group for its directors, former directors, employees, former employees or their dependants;

- (b) the contributions payable to any such scheme(s) or to the benefits which accrue, or to the pensions which are payable, thereunder;
- (c) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
- (d) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued, made, agreed or consented to,

to an extent which in any such case is material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination;

- (xiii) carried out any act:
  - (a) which would or could reasonably be expected to lead to the commencement of the winding up of any pension scheme(s) established by any member of the Wider Charter Court Group for its directors, former directors, employees, former employees or their dependants;
  - (b) which would or might create a material debt owed by an employer to any such plan; or
  - (c) which would or might accelerate any obligation on any employer to fund or pay additional contributions to any such plan;
- (xiv) been unable, or admitted in writing that it is unable, to pay its debts when they fall due or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (xv) (other than in respect of a member of the Wider Charter Court Group which is dormant and was solvent at the relevant time) taken any steps, corporate action or had any legal proceedings instituted or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets or revenues or any analogous or equivalent steps or proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed;
- (xvi) except for transactions between Charter Court and its wholly owned subsidiaries or between the wholly owned subsidiaries of Charter Court,

made, authorised, proposed or announced an intention to propose any change in its loan capital;

- (xvii) except for transactions between members of the Wider Charter Court Group and transactions entered into the ordinary course of business, entered into, implemented or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of business or corporate entities;
- (xviii) entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the Wider Charter Court Group other than to a nature and extent which is normal in the context of the business concerned;
- (xix) entered into any agreement, arrangement, commitment or contract or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition 4(H);

**No adverse change, litigation, regulatory enquiry or similar**

- (l) except as Disclosed, since 30 June 2018 there having been, in each case to an extent which is or could be material in the context of the Wider Charter Court Group taken as a whole or the Wider OSB Group taken as a whole, or material in the context of the Combination:
  - (i) no adverse change or deterioration and no circumstance having arisen which would or might reasonably be expected to result in any adverse change in, the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider Charter Court Group or any member of the Wider OSB Group;
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings: (a) having been threatened, announced or instituted by, or against, or remaining outstanding against, or in respect of, any member of the Wider Charter Court Group or any member of the Wider OSB Group; or (b) to which any member of the Wider Charter Court Group or any member of the Wider OSB Group is or may become a party (whether as claimant, defendant or otherwise), having been threatened, announced, instituted or remaining outstanding by, against or in respect of, any member of the Wider Charter Court Group or any member of the Wider OSB Group;
  - (iii) no enquiry, review or investigation by, or complaint or reference to, any Third Party against or in respect of any member of the Wider Charter Court Group or any member of the Wider OSB Group having been threatened in writing, announced or instituted or remaining outstanding by, against or in respect of any member of the Wider Charter Court Group or any member of the Wider OSB Group;

- (iv) no contingent or other liability having arisen or become apparent to OSB (in respect of the Wider Charter Court Group) or Charter Court (in respect of the Wider OSB Group) which is, or which would be likely to affect, adversely the business, assets, financial or trading position or profits or prospects of any member of the Wider Charter Court Group or any member of the Wider OSB Group; and
- (v) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Charter Court Group or any member of the Wider OSB Group which is necessary for the proper carrying on of its business;

**No discovery of certain matters**

- (J) except as Disclosed, OSB not having discovered, in each case to an extent which is or could be material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination:
  - (i) that any financial, business or other information concerning the Wider Charter Court Group publicly disclosed prior to the date of this Announcement by, or on behalf of, any member of the Wider Charter Court Group is misleading, contains a material misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading where the relevant information has not subsequently been corrected prior to the date of this Announcement by disclosure, either publicly or otherwise to OSB;
  - (ii) that any member of the Wider Charter Court Group is subject to any liability, contingent or otherwise which is not Disclosed in the annual report and accounts of Charter Court for the financial year ended 31 December 2017;
  - (iii) that any past or present member of the Wider Charter Court Group has failed to comply in any material respect with any applicable legislation, regulations or other requirements of any jurisdiction or any Authorisations relating to the use, treatment, storage, carriage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance likely to impair the environment (including property) or harm human health or otherwise relating to environmental matters or the health and safety of humans, which non-compliance would be likely to give rise to any liability including any penalty for non-compliance (whether actual or contingent) on the part of any member of the Wider Charter Court Group;
  - (iv) that there is or is reasonably likely to be any obligation or liability (whether actual or contingent) or requirement to make good, remediate, repair, reinstate or clean up any property, asset or any controlled waters currently or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider Charter Court

Group (or on its behalf), or in which any such member may have or previously have had or be deemed to have had an interest, under any environmental legislation, common law, regulation, notice, circular, Authorisation or order of any Third Party or any other person or body in any jurisdiction or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto;

- (v) circumstances exist (whether as a result of the Combination or otherwise) which would be reasonably likely to lead to any Third Party instituting, or whereby any past or present member of the Wider Charter Court Group would be likely to be required to institute, an environmental audit or take any other steps which would in any such case be reasonably likely to result in any liability (whether actual or contingent) to improve, modify existing or install new plant, machinery or equipment or carry out changes in the processes currently carried out or make good, remediate, repair, re-instate or clean up any land or other asset currently or previously owned, occupied or made use of by any past or present member of the Wider Charter Court Group (or on its behalf) or by any person for which a member of the Wider Charter Court Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest which is material in the context of the Wider Charter Court Group as a whole; or
- (vi) any information which affects the import of any information Disclosed at any time by or on behalf of any member of the Wider Charter Court Group;

### **Anti-corruption**

- (K) except as Disclosed, OSB not having discovered, in each case to an extent which is or could be material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination:
  - (i) any past or present member, director, officer or employee of the Wider Charter Court Group or any person that performs or has performed services for or on behalf of any such member, director, officer or employee is or has engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010 or any other applicable anti-corruption legislation; or
  - (ii) any past or present member, director, officer or employee of the Charter Court Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (i) any government, entity or individual in respect of which US or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets



Control, or HM Treasury & Customs; or (ii) any government, entity or individual targeted or covered by any of the economic sanctions administered or imposed by the United Nations, the United States (including, without limitation, the United States Office of Foreign Assets Control), the United Kingdom, the European Union (or any of its respective member states) or any other governments or supranational body or authority in any jurisdiction, save that this shall not apply if and to the extent that it is or would be unenforceable by reason of breach of any applicable Blocking Law; or

- (iii) a member of the Charter Court Group has engaged in any transaction which would cause OSB to be in breach of any law or regulation upon OSB's (direct or indirect) acquisition of Charter Court, including the economic sanctions administered by the United States Office of Foreign Assets Control, or HM Treasury & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union (or any of its respective member states) or any other governments or supranational body or authority in any jurisdiction, save that this shall not apply if and to the extent that it is or would be unenforceable by reason of breach of any applicable Blocking Law; and

#### **No criminal property**

- (L) except as Disclosed, OSB not having discovered, in each case to an extent which is or could be material in the context of the Wider Charter Court Group taken as a whole or material in the context of the Combination, any asset of any member of the Wider Charter Court Group that constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition).

#### **Part B: Certain further terms of the Combination**

1. Subject to the requirements of the Panel, OSB reserves the right to waive:
  - (A) Condition 2(A) and Condition 2(B) in Part A of this Appendix I for the timing of the Court Meeting and the Charter Court General Meeting. If any such deadline is not met, OSB will make an announcement by 8.00 a.m. on the Business Day following such deadline confirming whether it has invoked or waived the relevant Condition or agreed with Charter Court to extend the deadline in relation to the relevant Condition. In all other respects, Condition 2 in Part A of this Appendix I cannot be waived; and
  - (B) in whole or in part, all or any of (so far as they relate to Charter Court, the Wider Charter Court Group or any part thereof) Conditions 4(C) to 4(L) (inclusive) in Part A of this Appendix I.
2. Subject to the requirements of the Panel, Charter Court reserves the right to waive in whole or in part, all or any of (so far as they relate to OSB, the Wider OSB Group or any part thereof) Condition 4(I) in Part A of this Appendix I.

3. Conditions 1, 3, 4(A) and 4(B) in Part A of this Appendix I cannot be waived. Conditions 1, 3, 4(A) and 4(B) in Part A of this Appendix I must be fulfilled by, and Conditions 4(C) to 4(L) (inclusive) in Part A of this Appendix I must be fulfilled or waived by, no later than 11.59 p.m. on the date immediately preceding the Court Sanction Hearing.
4. Save where OSB has confirmed the satisfaction or waiver of all Conditions (other than Condition 2 in Part A of this Appendix I) pursuant to the terms of the Co-operation Agreement, OSB will be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as satisfied or fulfilled any of the Conditions capable of waiver by a date earlier than the latest date specified for the fulfilment of that Condition, notwithstanding that the other Conditions of the Combination may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
5. If OSB is required by the Panel to make an offer for Charter Court Shares under the provisions of Rule 9 of the City Code, OSB may make such alterations to any of the above Conditions and terms of the Combination as are necessary to comply with the provisions of that Rule.
6. The Combination will lapse if the Combination or any matter arising from or relating to the Scheme or Combination becomes subject to a CMA Phase 2 Reference before the date of the Court Meeting.
7. The Charter Court Shares acquired under the Combination will be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) announced, declared, made or paid, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, in each case by reference to a record date falling on or after the Effective Date.
8. If, on or after the date of this Announcement but prior to the Effective Date, any dividend and/or other form of capital return or distribution is announced, declared, made or paid or becomes payable:
  - a. by Charter Court, OSB has agreed that Charter Court Shareholders will be entitled to receive any Charter Court Permitted Dividends and Charter Court Equalising Dividends without any consequential reduction in the Consideration payable. If any dividend and/or other form of capital return or distribution is announced, declared, made or paid in respect of Charter Court Shares on or after the date of this Announcement and with a record date falling prior to the Effective Date, other than a Charter Court Permitted Dividend or Charter Court Equalising Dividend, or in excess of a Charter Court Permitted Dividend or a Charter Court Equalising Dividend, OSB reserves the right (without prejudice to any right OSB may have, with the consent of the Panel, to invoke Condition 4(H)(ii) in Part A of this Appendix I) to (at OSB's sole discretion): (i) reduce the Consideration by an amount equivalent to all or any part of such excess, in the case of Charter Court Permitted Dividends or Charter Court Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or

other form of capital return or distribution, in which case any reference in this Announcement or in the Scheme Document (or, in the event that the Combination is to be implemented by means of an Offer, the Offer Document) to the Consideration will be deemed to be a reference to the Consideration as so reduced; and/or (ii) declare and pay an equalising dividend to OSB Shareholders so as to reflect the value attributable to all or any part of such excess, in the case of Charter Court Permitted Dividends or Charter Court Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution. To the extent that any such dividend, distribution, or other return of value is announced, declared, made or paid or is payable and is either: (i) transferred pursuant to the Combination on a basis which entitles OSB to receive the dividend or distribution and to retain it; or (ii) cancelled, the Consideration will not be subject to change in accordance with this paragraph. Any exercise by OSB of its rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Combination; and/or

- b. by OSB, Charter Court has agreed that OSB Shareholders will be entitled to receive any Permitted OSB Dividends and OSB Equalising Dividends. If any dividend and/or other form of capital return or distribution is announced, declared, made or paid in respect of OSB Shares on or after the date of this Announcement and with a record date falling prior to the Effective Date, other than an OSB Permitted Dividend or an OSB Equalising Dividend, or in excess of an OSB Permitted Dividend or an OSB Equalising Dividend, Charter Court shall be entitled to declare and pay an equalising dividend to Charter Court Shareholders so as to reflect the value attributable to all or any part of such excess, in the case of OSB Permitted Dividends or OSB Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution, without any consequential change to the Consideration.
9. OSB reserves the right to elect (with the consent of the Panel, and subject to the approval of Charter Court or as otherwise permitted under the terms of the Co-operation Agreement) to implement the acquisition of the Charter Court Shares by way of an Offer as an alternative to the Scheme. In such event, such Offer will be implemented on the same terms, so far as applicable, and subject to the terms of the Co-operation Agreement, as those which would apply to the Scheme, subject to appropriate amendments to reflect the change in method of effecting the Combination, including (without limitation and subject to the consent of the Panel) an acceptance condition that is set at 75 per cent. (or such lesser percentage, as OSB may, in accordance with the provisions of the Co-operation Agreement, decide): (i) in nominal value of the shares to which such offer relates; and (ii) of the voting rights attached to those shares, and that is subject to OSB and/or (with the consent of the Panel) any members of the OSB Group having acquired or agreed to acquire, whether pursuant to the offer or otherwise, shares carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of Charter Court, including, for this purpose, any such voting rights attaching to Charter Court Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.

10. The availability of the Combination to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements. The New OSB Shares to be issued pursuant to the Combination have not been, and unless OSB otherwise elects in the event of an Offer will not be, registered under the US Securities Act or any laws of any state, district or other jurisdiction of the United States, under any of the relevant securities laws of any other Restricted Jurisdiction. Accordingly, the New OSB Shares may not be offered, sold or delivered, directly or indirectly, in the United States, or any other Restricted Jurisdiction, except pursuant to exemptions from applicable requirements of any such jurisdiction, including the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof.
11. The Combination is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any Restricted Jurisdiction where to do so would violate the laws of that jurisdiction.
12. This Announcement and any rights or liabilities arising hereunder, the Combination and the Scheme and any proxies will be governed by English law and will be subject to the jurisdiction of the Court and to the Conditions and further terms set out in this Appendix I and to be set out in the Scheme Document. The Co-operation Agreement and any dispute or claim arising out of, or in connection with, (whether contractual or non-contractual in nature) is governed by English law (save to the extent expressly set out therein) and is subject to the jurisdiction of the courts of England and Wales. The Combination will be subject to the applicable requirements of English law, the City Code, the Panel, the Listing Rules, the London Stock Exchange and the Financial Conduct Authority.
13. The New OSB Shares will be issued credited as fully paid and will rank *pari passu* in all aspects with the OSB Shares in issue at that time, including the right to receive and retain in full all dividends and other distributions (if any) announced, declared, made or paid, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, in each case by reference to a record date falling on or after the Effective Date.
14. Each of the Conditions will be regarded as a separate Condition and will not be limited by reference to any other Condition.
15. The Combination is subject to, inter alia, the Conditions set out in Part A and Part B of this Appendix I to this Announcement. The Combination is also subject to the full terms and conditions which will be set out in the Scheme Document and such further terms as may be required to comply with the Listing Rules and the provisions of the City Code.

**APPENDIX II****SOURCES OF INFORMATION AND BASES OF CALCULATION**

In this Announcement:

1. all references to Charter Court Shares are to Charter Court ordinary shares of 1 pence each, and references to OSB Shares are to OSB ordinary shares of 1 pence each;
2. unless otherwise stated:
  - (A) financial information relating to the OSB Group has been extracted or derived (without any adjustment) from the audited annual report and accounts for OSB for the year ended 31 December 2017 and the OSB Preliminary Results Announcement in respect of its full year results for the year ended 31 December 2018 (which are audited); and
  - (B) financial information relating to the Charter Court Group has been extracted or derived (without any adjustment) from the audited annual report and accounts for Charter Court for the year ended 31 December 2017 and the Charter Court Preliminary Results Announcement in respect of its full year results for the year ended 31 December 2018 (which are audited);
3. as at the close of business on 13 March 2019, being the last Business Day prior to the date of this Announcement, Charter Court had in issue 239,320,419 Charter Court Shares and OSB had in issue 244,487,537 OSB Shares. The ISIN for Charter Court Shares is GB00BD822578 and for OSB Shares is GB00BM7S7K96;
4. the percentage of the share capital of the Combined Group that will be owned by Charter Court Shareholders of 45 per cent. is calculated by dividing the number of New OSB Shares to be issued under the terms of the Combination referred to in paragraph 5(B) below by the issued share capital of the Combined Group (as set out in paragraph 5 below) and multiplying the resulting sum by 100 to produce a percentage;
5. the share capital of the Combined Group (being 445,505,780) has been calculated as the sum of:
  - (A) a total number of 244,487,537 OSB Shares, being the number of OSB Shares in issue as at the close of business on 13 March 2019, being the last Business Day prior to the date of this Announcement; and
  - (B) 201,018,243 New OSB Shares which would be issued under the terms of the Combination (being 0.8253 New OSB Shares to be issued per Charter Court Share multiplied by the fully diluted share capital of Charter Court (being 239,320,419 Charter Court Shares currently in issue (as at the date of this Announcement) and a maximum of 4,249,487 Charter Court Shares which may be issued on or after the date of this Announcement on the exercise of options or vesting of awards under the Charter Court Share Schemes (based on outstanding options and awards as at the date of this Announcement). The actual number of Charter Court Shares issued under the Charter Court Share

Schemes will be affected by the application of performance conditions and time pro rating).

On the date of this Announcement, OSB holds no ordinary shares in treasury;

6. the synergy numbers are unaudited and are based on analysis by OSB's management and on OSB's internal records. Further information underlying the Quantified Financial Benefits Statement contained in this Announcement is provided in Appendix IV to this Announcement;
7. for the purposes of the financial comparisons in this Announcement, no account has been taken of any liability to taxation or the treatment of fractions under the Combination;
8. earnings per share figures are stated exclusive of exceptional and extraordinary items where these have been disclosed;
9. the timing expectations set out in this Announcement assume that the Combination would become effective in Q3 2019; and
10. certain figures included in this Announcement have been subject to rounding adjustments.

## APPENDIX III

## DETAILS OF IRREVOCABLE UNDERTAKINGS

## Irrevocable undertakings in respect of Charter Court Shares

## Charter Court Shareholder Irrevocable Undertakings

Name of Charter Court Shareholder	Number of Charter Court Shares	Percentage of Charter Court issued share capital as at 13 March 2019, being the last Business Day before this Announcement
Elliott International L.P.	51,483,715	21.51%
The Liverpool Limited Partnership	24,227,631	10.12%
<b>Total</b>	<b>75,711,346</b>	<b>31.64%</b>

## Charter Court Directors' Irrevocable Undertakings

Name of Charter Court Director	Number of Charter Court Shares	Percentage of Charter Court issued share capital as at 13 March 2019, being the last Business Day before this Announcement
Sir Malcolm Williamson	86,956	0.04%
Ian Lonergan	2,506,712	1.05%
Sebastien Maloney	763,221	0.32%
Peter Elcock	90,018	0.04%
Philip Jenks	10,869	<0.01%
Ian Ward	43,478	0.02%
Rajan Kapoor	10,869	<0.01%
<b>Total</b>	<b>3,512,123</b>	<b>1.47%</b>

**Letter of intent in respect of Charter Court Shares**

Name of Charter Court Shareholder	Number of Charter Court Shares	Percentage of Charter Court issued share capital as at 13 March 2019, being the last Business Day before this Announcement
Merian Global Investors (UK) Limited	34,834,451	14.56%

**Irrevocable undertakings in respect of OSB Shares****OSB Directors' Irrevocable Undertakings**

Name of OSB Director	Number of OSB Shares	Percentage of OSB issued share capital as at 13 March 2019, being the last Business Day before this Announcement
David Weymouth	13,178	0.01%
Andy Golding	680,429	0.28%
April Talintyre	263,001	0.11%
Rod Duke	80,000	0.03%
Mary McNamara	22,350	0.01%
Eric Anstee	4,960	<0.01%
<b>Total</b>	<b>1,063,918</b>	<b>0.44%</b>

**Letter of intent in respect of OSB Shares**

Name of OSB Shareholder	Number of OSB Shares	Percentage of OSB issued share capital as at 13 March 2019, being the last Business Day before this Announcement
Merian Global Investors (UK)	28,755,206	11.76%



Limited		
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Under the terms of its irrevocable undertaking, Elliott has unconditionally undertaken to take (and to procure that all persons that are required to give notice under section 178 of FSMA in connection with the Combination by virtue of, or as a result of, any decision by Elliott to acquire or increase its interest in the New OSB Shares take) all reasonable steps to satisfy the Change in Control Condition in respect of its and any member of its group's proposed interest in the New OSB Shares as contemplated by the Combination. OSB has agreed not to waive the Change in Control Condition in respect of Elliott (if such Condition is applicable to Elliott) until the Change in Control Condition has been satisfied in respect of Elliott.

The obligations of Elliott under its irrevocable undertaking shall lapse and cease to have effect on and from the earlier of the following occurrences:

- (i) if the Scheme Document or Offer Document has not been dispatched within 28 days of the issue of this Announcement or such later date as, with the consent of the Panel, OSB and Charter Court may agree, provided that if OSB elects to implement the Combination by way of an Offer, the time period shall be extended;
- (ii) if OSB announces that it does not intend to proceed with the Combination and no new, revised or replacement Scheme or Offer is announced by OSB at the same time;
- (iii) on 31 August 2019;
- (iv) on the date on which the Scheme (or Offer, as applicable) lapses or is withdrawn in accordance with its terms, provided that this shall not apply if the Scheme or Offer lapses or is withdrawn as a result of OSBs' right to Switch in accordance with the terms of the Co-operation Agreement or as a result of OSB exercising its right to implement the Combination by way of an Offer;
- (v) if a third party announces a firm intention to make an offer for Charter Court which represents a premium of 5 per cent. or more to the value of the Combination based on the closing price per ordinary share in the capital of OSB;
- (vi) if any appropriate regulator refuses to approve any Change of Control Application submitted by Elliott in connection with the Combination; or
- (vii) if OSB announces that it is no longer intended that Andy Golding will remain as Chief Executive Officer of OSB.

The obligations of the Charter Court Directors under their irrevocable undertakings shall lapse and cease to have effect on and from the earlier of the following occurrences:

- (i) if OSB announces that it does not intend to proceed with the Combination and no new, revised or replacement Scheme or Offer is announced by OSB at the same time, which has been recommended by Charter Court';

- (ii) if any competing offer for Charter Court is made which is declared wholly unconditional (if implemented by way of a takeover offer) or otherwise becomes effective (if implemented by way of a scheme of arrangement);
- (iii) if the Co-operation Agreement is terminated in accordance with its terms; or
- (iv) on the earlier of: (a) the Longstop Date and (b) the date on which the Scheme (or Offer, as applicable) is withdrawn or lapses in accordance with its terms, provided this shall not apply where the Scheme (or Offer, as applicable) is withdrawn or lapses as a result of the exercise of OSB's right to effect a Switch in accordance with the terms of the Co-operation Agreement.

The obligations of the OSB Directors under their irrevocable undertakings shall lapse and cease to have effect on and from the earlier of the following occurrences:

- (i) if OSB announces that it does not intend to proceed with the Combination and no new, revised or replacement Scheme or Offer is announced by OSB at the same time, which has been recommended by Charter Court;
- (ii) if any competing offer for Charter Court is made which is declared wholly unconditional (if implemented by way of a takeover offer) or otherwise becomes effective (if implemented by way of a scheme of arrangement);
- (iii) if the Co-operation Agreement is terminated in accordance with its terms; or
- (iv) on the earlier of (a) the Longstop Date and (b) the date on which the Scheme (or Offer, as applicable) is withdrawn or lapses in accordance with its terms, provided this shall not apply where the Scheme (or Offer, as applicable) is withdrawn or lapses as a result of the exercise of OSB's right to effect a Switch in accordance with the terms of the Co-operation Agreement.

**APPENDIX IV****QUANTIFIED FINANCIAL BENEFITS REPORTS****PART A**

The summary section, paragraph 3 (Background to and reasons for the Combination) and paragraph 5 of this Announcement (Financial Benefits and effects of the Combination) contains the following quantified financial benefits statements (the “**Quantified Financial Benefits Statement**”):

*“The Board of OSB is confident that, as a direct result of the Combination, the Combined Group will generate meaningful cost synergies and create additional shareholder value. The OSB Board, having reviewed and analysed the potential cost synergies of the Combination, and taking into account the factors they can influence, believes that the Combination will result in £22 million of pre-tax cost synergies on an annual run-rate basis (based on the pro forma results of the Combined Group for the year ended 31 December 2018) by the third anniversary of the completion of the Combination.*

*The OSB Board expects approximately 30% of these cost synergies to be achieved by the end of the first 12-month period following completion of the Combination, approximately 75% by the end of the second 12-month period following completion of the Combination and the full run-rate by the third anniversary of completion of the Combination. On this basis, approximately 10% of the cost synergies are expected to be recognised in the first 12-month period following completion of the Combination, approximately 40% in the second 12-month period following completion of the Combination and approximately 90% in the 12-month period ending on the third anniversary of completion of the Combination.*

*The Board of OSB expects these anticipated quantified cost synergies will accrue as a direct result of the Combination and would not be achieved on a standalone basis.*

*The quantified cost synergies, which are expected to originate from the cost bases of both OSB and Charter Court, are expected to be realised from:*

- (A) the appropriate removal of duplicate senior management roles and central and support functions (expected to contribute approximately 50% of the full run-rate pre-tax cost synergies);*
- (B) efficiencies from combined lending operations (expected to contribute approximately 20% of the full run-rate pre-tax cost synergies);*
- (C) bringing Charter Court’s savings account operations in-house (expected to contribute approximately 20% of the full run-rate pre-tax cost synergies); and*
- (D) other operational efficiencies (expected to contribute approximately 10% of the full run-rate pre-tax cost synergies).*

*It is expected that the realisation of these quantified cost synergies would give rise to one-off pre-tax costs to achieve of approximately £39 million. These are expected to be phased broadly evenly across a three year period following completion of the Combination.*

*Aside from the one-off exceptional costs referred to above and the costs associated with the potential acceleration of the Combined Group's expected MREL requirement, the Board of OSB does not expect any material pre-tax dis-synergies to arise in connection with the Combination."*

### **Bases of belief for the Quantified Financial Benefits Statement**

In preparing the Quantified Financial Benefits Statement, Charter Court has provided OSB with certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential synergies available from the Combination. In circumstances where data has been limited for commercial, regulatory or other reasons, OSB management has made estimates and assumptions to aid its development of individual synergy initiatives. The assessment and quantification of the potential synergies have, in turn, been informed by the OSB management's industry experience and knowledge of the existing businesses, together with close consultation with Charter Court.

The cost base used as the basis for the quantified exercise is the combined 2018 cost bases for OSB and Charter Court, consistent with OSB's audited preliminary results announcement for the financial year ended 31 December 2018 (released by OSB on 14 March 2019) and Charter Court's audited preliminary results announcement for the financial year ended 31 December 2018, provided by Charter Court to OSB (and released by Charter Court on 14 March 2019).

The assessment and quantification of the potential synergies have in turn been informed by OSB management's industry experience as well as their experience of executing and integrating past acquisitions.

In general, the synergy assumptions have in turn been risk adjusted, exercising a degree of prudence in the calculation of the estimated synergy benefit set out above.

The OSB Board has, in addition, made the following assumptions, all of which are outside the influence of OSB:

- there will be no material impact on the underlying operations of either OSB or Charter Court or their ability to continue to conduct their businesses;
- there will be no material change to macroeconomic, political, regulatory or legal conditions in the markets or regions in which OSB and Charter Court operate that will materially impact on the implementation or costs to achieve the proposed cost savings;
- there will be no material change in current foreign exchange rates; and
- there will be no change in tax legislation or tax rates or other legislation in the United Kingdom that could materially impact the ability to achieve any benefits.

In addition, the OSB Board has assumed that the cost synergies are substantively within OSB's control, albeit that certain elements are dependent in part on negotiations with third parties.

### **Reports**

As required by Rule 28.1(a) of the City Code, KPMG, as reporting accountants to OSB, and Rothschild & Co and Barclays, as financial advisers to OSB, have provided the reports required under that Rule. Copies of these reports are included in this Appendix IV.

Each of KPMG, Rothschild & Co and Barclays has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.

### **Notes**

1. The statements of estimated synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.
2. No statement in the Quantified Financial Benefits Statement, or this Announcement generally, should be construed as a profit forecast or interpreted to mean that OSB's earnings in the full first full year following the Combination, or in any subsequent period, would necessarily match or be greater than or be less than those of OSB and/or Charter Court for the relevant preceding financial period or any other period.
3. Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting synergies may be materially greater or less than those estimated.

**PART B****KPMG LLP REPORT ON QUANTIFIED FINANCIAL BENEFITS STATEMENT**

The Board of Directors (the “**Directors**”)  
OneSavings Bank plc  
Reliance House, Sun Pier  
Chatham  
Kent, ME4 4ET

N.M. Rothschild & Sons Limited (“**Rothschild & Co**”)  
New Court  
St Swithin’s Lane  
London  
EC4N 8AL

Barclays Bank PLC (acting through its Investment Bank) (“**Barclays**”)  
5 The North Colonnade  
Canary Wharf  
London  
E14 4BB

14 March 2019

Ladies and Gentlemen

**Published Report on Quantified Financial Benefits Statement by OneSavings Bank plc (“OSB”)**

We refer to the statement (the “**Statement**”) made by the Directors set out in Part A of Appendix IV to the announcement entitled “*Recommended all-share combination of OneSavings Bank plc and Charter Court Financial Services Group plc*” (the “**Announcement**”) to the effect that:

*“The Board of OSB is confident that, as a direct result of the Combination, the Combined Group will generate meaningful cost synergies and create additional shareholder value. The OSB Board, having reviewed and analysed the potential cost synergies of the Combination, and taking into account the factors they can influence, believes that the Combination will result in £22 million of pre-tax cost synergies on an annual run-rate basis (based on the pro forma results of the Combined Group for the year ended 31 December 2018) by the third anniversary of the completion of the Combination.*

*The OSB Board expects approximately 30% of these cost synergies to be achieved by the end of the first 12-month period following completion of the Combination, approximately 75% by the end of the second 12-month period following completion of the Combination and the full run-rate by the third anniversary of completion of the Combination. On this basis, approximately 10% of the cost synergies are expected to be recognised in the first 12-month period following completion of the Combination, approximately 40% in the second 12-month period following completion of the*

*Combination and approximately 90% in the 12-month period ending on the third anniversary of completion of the Combination.*

*The Board of OSB expects these anticipated quantified cost synergies will accrue as a direct result of the Combination and would not be achieved on a standalone basis.*

*The quantified cost synergies, which are expected to originate from the cost bases of both OSB and Charter Court, are expected to be realised from:*

- (A) the appropriate removal of duplicate senior management roles and central and support functions (expected to contribute approximately 50% of the full run-rate pre-tax cost synergies);*
- (B) efficiencies from combined lending operations (expected to contribute approximately 20% of the full run-rate pre-tax cost synergies);*
- (C) bringing Charter Court's savings account operations in-house (expected to contribute approximately 20% of the full run-rate pre-tax cost synergies); and*
- (D) other operational efficiencies (expected to contribute approximately 10% of the full run-rate pre-tax cost synergies).*

*It is expected that the realisation of these quantified cost synergies would give rise to one-off pre-tax costs to achieve of approximately £39 million. These are expected to be phased broadly evenly across a three year period following completion of the Combination.*

*Aside from the one-off exceptional costs referred to above and the costs associated with the potential acceleration of the Combined Group's expected MREL requirement, the Board of OSB does not expect any material pre-tax dis-synergies to arise in connection with the Combination."*

The Statement has been made in the context of the disclosures in Part A of Appendix IV to the Announcement setting out, inter alia, the basis of the Directors' belief (including the principal assumptions and sources of information) supporting the Statement and their analysis and explanation of the underlying constituent elements.

This report is required by Rule 28.1(a) of the City Code on Takeovers and Mergers (the "**City Code**") and is given for the purpose of complying with that requirement and for no other purpose.

### **Responsibilities**

It is the responsibility of the Directors to prepare the Statement in accordance with the requirements of Rule 28 of the City Code.

It is our responsibility to form an opinion, as required by Rule 28.1(a)(i) of the City Code as to the proper compilation of the Statement and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.2 of the City Code, consenting to its inclusion in the Announcement.

***Basis of preparation of the Statement***

The Statement has been prepared on the basis stated in Part A of Appendix IV to the Announcement.

***Basis of opinion***

We have discussed the Statement, together with the underlying plans, with the Directors, Barclays Bank plc (acting through its investment bank) and N.M. Rothschild & Sons Limited. Our work did not involve any independent examination of any of the financial or other information underlying the Statement. We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Statement has been properly compiled on the basis stated.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

We do not express any opinion as to the achievability of the benefits identified by the Directors in the Statement. The Statement is subject to uncertainty as described in Part A of Appendix IV to the Announcement. Because of the significant changes in the enlarged group's operations expected to flow from the transaction and because the Statement relates to the future, the actual benefits achieved are likely to be different from those anticipated in the Statement and the differences may be material.

***Opinion***

On the basis of the foregoing, we report that, in our opinion, the Statement has been properly compiled on the basis stated.

Yours faithfully,

**KPMG LLP**



**PART C****REPORT FROM N.M. ROTHSCHILD & SONS LIMITED AND BARCLAYS BANK PLC,  
ACTING THROUGH ITS INVESTMENT BANK**

The Directors  
OneSavings Bank plc  
Reliance House, Sun Pier  
Chatham  
Kent, ME4 4ET

14 March 2019

Dear Ladies and Gentlemen,

We refer to the quantified financial benefits statement, the bases of belief thereof and the notes thereto (together, the “**Statement**”) made by OneSavings Bank plc (“**OSB**”) and set out in Part A of Appendix IV to the Rule 2.7 announcement dated 14 March 2019 (the “**Announcement**”), for which the directors of OSB (the “**Directors**”) are solely responsible under Rule 28.3(a) of the UK City Code on Takeovers and Mergers (the “**Code**”).

We have discussed the Statement (including the assumptions, accounting policies, bases of calculation and sources of information referred to therein), with the Directors and those officers and employees of OSB who have developed the underlying plans as well as with KPMG LLP (“**KPMG**”). The Statement is subject to uncertainty as described in the Announcement and our work did not involve an independent examination, or verification, of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by, or on behalf of, OSB, or otherwise discussed with or reviewed by us, in connection with the Statement, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any view as to the achievability of the quantified financial benefits, whether on the basis identified by the Directors in the Statement or otherwise.

We have also reviewed the work carried out by KPMG and have discussed with KPMG its opinion addressed to you and us on this matter and which is set out in Part B of Appendix IV to the Announcement, and the accounting policies and bases of calculation for the Statement.

On the basis of the foregoing, we consider that the Statement, for which the Directors are solely responsible for the purposes of the Code, has been prepared with due care and consideration.

This letter is provided to you solely having regard to the requirements of, and in connection with, Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to OSB, its shareholders or to any person other than the Directors in respect of the contents of this letter. Each of: (i) N.M. Rothschild & Sons Limited (acting as financial adviser and sponsor to OSB); and (ii) Barclays Bank PLC, acting through its Investment Bank (acting as financial adviser and corporate broker to OSB) are acting exclusively for OSB and no one else and it was for the purpose of complying with Rule 28.1(a)(ii) of the Code that OSB requested us to prepare this

letter relating to the Statement. No person other than the Directors can rely on the contents of, or the work undertaken in connection with, this letter, and to the fullest extent permitted by law, we expressly exclude and disclaim all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its contents or the work undertaken in connection with this letter or any of the results or conclusions that may be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

Yours faithfully,

For and on behalf of  
**N.M. Rothschild & Sons Limited**

For and on behalf of  
**Barclays Bank PLC, acting through its Investment Bank**

**APPENDIX V****DEFINITIONS**

<b>“Admission”</b>	admission of the New OSB Shares to the Official List with a premium listing and to trading on the Main Market
<b>“Announcement”</b>	this announcement made pursuant to Rule 2.7 of the City Code
<b>“Authorisations”</b>	regulatory authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions or approvals
<b>“Barclays”</b>	Barclays Bank PLC, acting through its Investment Bank
<b>“Blocking Law”</b>	means (i) any provision of Council Regulation (EC) No 2271/1996 of 22 November 1996 (or any law or regulation implementing such Regulation in any member state of the European Union or the United Kingdom); or (ii) any similar blocking or anti-boycott law
<b>“Board”</b>	means the OSB Board or the Charter Court Board, as the context requires
<b>“Business Day”</b>	a day (other than a Saturday, Sunday or public holiday in England) on which banks are generally open for business in London other than solely for trading and settlement in Euro
<b>“Change in Control Condition”</b>	Condition 4(B), as set out in Appendix I to this Announcement
<b>“Charter Court”</b>	Charter Court Financial Services Group plc, a public limited company incorporated in England and Wales with registered number 06712054
<b>“Charter Court Board”</b>	the Charter Court Directors collectively
<b>“Charter Court Directors”</b>	the directors of Charter Court at the time of this Announcement or, where the context so requires, the directors of Charter Court from time to time
<b>“Charter Court Equalising Dividend”</b>	has the meaning given to it in paragraphs 2 and 18 of this Announcement
<b>“Charter Court General Meeting”</b>	the general meeting of Charter Court Shareholders (including any adjournment thereof) to be convened in connection with the Scheme for the purpose of considering, and, if thought fit, approving, the Charter Court Resolutions

<b>“Charter Court Group”</b>	Charter Court and its subsidiaries and subsidiary undertakings
<b>“Charter Court Meetings”</b>	the Court Meeting and the Charter Court General Meeting and, where the context permits, each of them
<b>“Charter Court Permitted Dividend”</b>	has the meaning given to it in paragraphs 2 and 18 of this Announcement
<b>“Charter Court Preliminary Results Announcement”</b>	Charter Court’s preliminary results announcement for the twelve-month period ended 31 December 2018 (which includes the Charter Court Group’s audited historical consolidated financial statements for the twelve-months ended 31 December 2018) dated 14 March 2019
<b>“Charter Court Resolutions”</b>	such shareholder resolutions of Charter Court as are necessary to enable Charter Court to approve, implement and effect the Scheme and the Combination, including (without limitation) a resolution to amend the articles of association of Charter Court by the adoption and inclusion of a new article under which any Charter Court Shares issued or transferred after the Charter Court General Meeting shall either be subject to the Scheme or (after the Effective Date) be immediately transferred to OSB (or as it may direct) in exchange for the same consideration as is due under the Scheme
<b>“Charter Court Share Plans”</b>	the Charter Court Performance Share Plan 2017, the Charter Court Deferred Bonus Plan 2014 and the Charter Court Sharesave Scheme
<b>“Charter Court Shareholders”</b>	the holders of Charter Court Shares
<b>“Charter Court Shares”</b>	the existing unconditionally allotted or issued and fully paid ordinary shares of 1 pence each in the capital of Charter Court and any further such ordinary shares which are unconditionally allotted or issued before the Scheme becomes effective
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Clean Team Confidentiality Agreement”</b>	the clean team agreement entered into between OSB and Charter Court 1 February 2019, as described at paragraph 12 of this Announcement
<b>“Closing Price”</b>	the closing middle market quotations of a share derived from the Daily Official List of the London Stock Exchange
<b>“CMA”</b>	the UK Competition and Markets Authority, the competent UK authority, department of the government of the United Kingdom, responsible for competition

<b>“Combination”</b>	the proposed acquisition by OSB of the entire issued and to be issued ordinary share capital of Charter Court, to be effected by means of the Scheme or, should OSB so elect and subject to the consent of the Panel and the terms of the Co-operation Agreement, by means of an Offer and, where the context admits, any subsequent revision, variation, extension or renewal thereof
<b>“Combined Group”</b>	the enlarged group comprising the OSB Group and the Charter Court Group following completion of the Combination
<b>“Companies Act”</b>	the UK Companies Act 2006 (as amended from time to time)
<b>“Conditions”</b>	the conditions to the implementation of the Combination, as set out in Appendix I to this Announcement and to be set out in the Scheme Document
<b>“Confidentiality Agreement”</b>	the non-disclosure agreement entered into between OSB and Charter Court on 19 November 2018, as described at paragraph 12 of this Announcement
<b>“Confidentiality and Joint Defence Agreement”</b>	the confidentiality and joint defence agreement entered into between OSB and Charter Court on 14 February 2019, as described at paragraph 12 of this Announcement
<b>“Consideration”</b>	the consideration payable to Charter Court Shareholders pursuant to the Combination, comprising 0.8253 New OSB Shares per Charter Court Share
<b>“Co-operation Agreement”</b>	the agreement dated 14 March 2019 between OSB and Charter Court and relating, among other things, to the implementation of the Combination
<b>“Court”</b>	the High Court of Justice in England and Wales
<b>“Court Meeting”</b>	the meeting or meetings of the Charter Court Shareholders (or any class or classes thereof) to be convened by order of the Court pursuant to section 899 of the Companies Act (notice of which will be set out in the Scheme Document) for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) and any adjournment, postponement or reconvention thereof
<b>“Court Sanction Hearing”</b>	the hearing of the Court to sanction the Scheme pursuant to section 899 of the Companies Act and any adjournment, postponement or reconvening thereof
<b>“Credit Suisse”</b>	Credit Suisse International
<b>“CREST”</b>	the relevant system (as defined in the Uncertificated Securities

Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in those Regulations) in accordance with which securities may be held and transferred in uncertificated form

**“Dealing Disclosure”**

has the same meaning as in Rule 8 of the City Code

**“Disclosed”**

in respect of the Wider Charter Court Group, the information fairly disclosed by or on behalf of Charter Court: (i) in the annual report and accounts of Charter Court for the financial year ended 31 December 2017; (ii) in the Charter Court half year results announcement released on 21 August 2018 in respect of the six-month period ended 30 June 2018; (iii) in this Announcement; (iv) in any other public announcement to a Regulatory Information Service by, or on behalf of, Charter Court prior to the publication of this Announcement made by Charter Court in accordance with the Market Abuse Regulation, Listing Rules or Disclosure Rules or Transparency Rules after 31 December 2017; or (v) as otherwise fairly disclosed in writing prior to the date of this Announcement by, or on behalf of, Charter Court to OSB (or its respective officers, employees, agents or advisers in their capacity as such); and

in respect of the Wider OSB Group in relation to Condition 4(I), the information fairly disclosed by or on behalf of OSB: (i) in the annual report and accounts of OSB for the financial year ended 31 December 2017; (ii) in the OSB half year results announcement released on 23 August 2018 in respect of the six-month period ended 30 June 2018; (iii) in this Announcement; (iv) in any other public announcement to a Regulatory Information Service by, or on behalf of, OSB prior to the publication of this Announcement made by OSB in accordance with the Market Abuse Regulation, Listing Rules or Disclosure Rules or Transparency Rules after 31 December 2017; or (v) as otherwise fairly disclosed in writing prior to the date of this Announcement by, or on behalf of, OSB to Charter Court (or its respective officers, employees, agents or advisers in their capacity as such)

**“Disclosure Guidance and Transparency Rules”**

the disclosure guidance and transparency rules made by the FCA and forming part of the FCA’s handbook of rules and guidance, as amended from time to time

**“Effective Date”**

the date on which either: (i) the Scheme becomes effective in accordance with its terms; or (ii) if OSB (subject to the consent of the Panel and the terms of the Co-operation Agreement) elects to implement the Combination by means of an Offer, the date on which the Offer becomes or is declared unconditional

	in all respects
<b>“Elliott”</b>	Elliott International L.P. and The Liverpool Limited Partnership
<b>“FCA” or “Financial Conduct Authority”</b>	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the UK Financial Services and Markets Act 2000 (including the FCA acting in the capacity of performing its UKLA functions)
<b>“Forms of Proxy”</b>	the forms of proxy for use in connection with the Court Meeting and the Charter Court General Meeting (as applicable) which shall accompany the Scheme Document
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended from time to time)
<b>“KPMG”</b>	KPMG LLP
<b>“Listing Rules”</b>	the listing rules and regulations made by the FCA as part of its UKLA functions pursuant to Part 6 of the Financial Services and Markets Act 2000, and contained in the FCA’s publication of the same name
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Longstop Date”</b>	31 October 2019 (or such later date as may be agreed in writing by OSB and Charter Court (with the Panel’s consent and as the Court may approve (if such approval(s) is or are required))
<b>“Main Market”</b>	the Main Market of the London Stock Exchange
<b>“Market Abuse Regulation”</b>	Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse (and/or, as applicable, such regulation as it forms part of the domestic UK law by virtue of section 3 of the European Union (Withdrawal) Act 2018, as amended from time to time)
<b>“Merian”</b>	Merian Global Investors (UK)
<b>“MREL”</b>	Minimum Requirements for own funds and Eligible Liabilities
<b>“New OSB Shares”</b>	the new OSB Shares proposed to be issued to Charter Court Shareholders in connection with the Combination or in consideration for the transfer to OSB of Charter Court Shares pursuant to the articles of association of Charter Court as amended by the Charter Court Resolutions
<b>“Offer”</b>	if, subject to the consent of the Panel and the terms of the Co-operation Agreement, the Combination is implemented by way

of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the offer to be made by or on behalf of OSB to acquire the entire issued and to be issued ordinary share capital of Charter Court and, where the context admits, any subsequent revision, variation, extension or renewal of such offer

<b>“Offer Document”</b>	should the Combination be implemented by means of the Offer, the offer document published by or on behalf of OSB in connection with the Offer containing, <i>inter alia</i> , the terms and conditions of the Offer
<b>“Offer Period”</b>	the Offer Period (as defined by the City Code) relating to Charter Court, which commenced on 9 March 2019
<b>“Official List”</b>	the official list maintained by the FCA
<b>“Opening Position Disclosure”</b>	has the same meaning as in Rule 8 of the City Code
<b>“OSB”</b>	OneSavings Bank plc, a public limited company incorporated in England with registered number 07312896
<b>“OSB Board”</b>	the OSB Directors collectively
<b>“OSB Circular”</b>	the circular relating to the approval of the Combination to be sent by OSB to OSB Shareholders summarising the background to and reasons for the Combination, which will include a notice convening the OSB General Meeting
<b>“OSB Directors”</b>	the directors of OSB as at the date of this Announcement or, where the context so requires, the directors of OSB from time to time
<b>“OSB Equalising Dividend”</b>	has the meaning given to it in paragraphs 2 and 18 of this Announcement
<b>“OSB General Meeting”</b>	the general meeting of OSB Shareholders (including any adjournment thereof) to be convened for the purpose of considering, and if thought fit approving, the OSB Resolutions (as well as any other incidental or related matter that OSB may wish to place before such meeting), notice of which will be sent to OSB Shareholders
<b>“OSB Group”</b>	OSB and its subsidiaries and subsidiary undertakings from time to time and, where the context permits, each of them
<b>“OSB Permitted Dividend”</b>	has the meaning given to it in paragraphs 2 and 18 of this Announcement
<b>“OSB Preliminary Results”</b>	OSB’s preliminary results announcement for the twelve-month



<b>Announcement</b>	period ended 31 December 2018 (which includes the OSB Group’s audited historical consolidated financial statements for the twelve-months ended 31 December 2018) dated 14 March 2019
<b>“OSB Resolutions”</b>	means the shareholder resolutions of OSB necessary to approve, effect and implement the Combination, including, without limitation, to: (i) approve the Combination as a “class 1 transaction” for the purposes of the Listing Rules; and (ii) grant authority to the OSB Directors to allot the New OSB Shares (and any amendment(s) thereof)
<b>“OSB Shareholders”</b>	the holders of OSB Shares
<b>“OSB Shares”</b>	the allotted and issued ordinary shares of 1 pence each in the capital of OSB
<b>“Overseas Shareholders”</b>	Charter Court Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
<b>“Panel”</b>	the UK Panel on Takeovers and Mergers
<b>“PRA” or “Prudential Regulation Authority”</b>	the Prudential Regulation Authority or its successor from time to time
<b>“Prospectus”</b>	the prospectus to be published by OSB at or around the same time as the Scheme Document in respect of the New OSB Shares to be issued to Charter Court Shareholders in connection with the Combination and for the purpose of Admission
<b>“Quantified Financial Benefits Statement”</b>	the statements of estimated cost savings and synergies arising out of the Combination set out in Appendix IV to this Announcement
<b>“RBC Capital Markets”</b>	RBC Europe Limited (trading as RBC Capital Markets)
<b>“Registrar of Companies”</b>	the Registrar of Companies in England and Wales
<b>“Regulatory Information Service”</b>	means a regulatory information service as defined in the Listing Rules
<b>“Restricted Jurisdiction”</b>	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Combination is sent or made available to Charter Court Shareholders in that jurisdiction
<b>“Restricted Overseas Person”</b>	Charter Court Shareholders resident in, or nationals or citizens of, a Restricted Jurisdiction or who are nominees or

custodians, trustees or guardians for, citizens, residents or nationals of a Restricted Jurisdiction

<b>“Rothschild &amp; Co”</b>	N.M. Rothschild & Sons Limited
<b>“Scheme”</b>	the proposed scheme of arrangement under Part 26 of the Companies Act between Charter Court and Charter Court Shareholders to implement the Combination, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Charter Court and OSB
<b>“Scheme Court Order”</b>	the order of the Court sanctioning the Scheme under section 899 of the Companies Act
<b>“Scheme Document”</b>	the document to be dispatched to Charter Court Shareholders and persons with information rights setting out, among other things, the details of the Combination, the full terms and conditions of the Scheme and containing the notices convening the Court Meeting and the Charter Court General Meeting
<b>“Scheme Record Time”</b>	the time and date specified as such in the Scheme Document, expected to be 6.00 p.m. on the Business Day immediately prior to the Effective Date, or such other time as OSB and Charter Court may agree
<b>“Scheme Shareholder”</b>	a holder of Scheme Shares
<b>“Scheme Shares”</b>	<ol style="list-style-type: none"> <li>1. the Charter Court Shares in issue at the date of the Scheme Document;</li> <li>2. any Charter Court Shares issued after the date of the Scheme Document and prior to the Voting Record Time; and</li> <li>3. any Charter Court Shares issued at, or after, the Voting Record Time and prior to the Scheme Record Time in respect of which the original or any subsequent holder thereof is bound by the Scheme, or shall by such time have agreed in writing to be bound by the Scheme,</li> </ol> <p>in each case excluding any Charter Court Shares held in treasury and any Charter Court Shares beneficially owned by OSB or any other member of the OSB Group</p>
<b>“Shareholder Approval Longstop Date”</b>	30 June 2019 or such other date as may be agreed in writing by OSB and Charter Court
<b>“Significant Interest”</b>	in relation to an undertaking, a direct or indirect interest of 20

per cent. or more of the total voting rights conferred by the equity share capital of such undertaking

<b>“Third Party”</b>	each of a central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative, fiscal or investigative body, court, trade agency, association, institution, employee representative body, any entity owned or controlled by any relevant government or state, or any other body or person whatsoever in any jurisdiction
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>“US Exchange Act”</b>	US Securities Exchange Act of 1934 (as amended), and the rules and regulations promulgated thereunder
<b>“US Securities Act”</b>	US Securities Act of 1933 (as amended), and the rules and regulations promulgated thereunder
<b>“Voting Record Time”</b>	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined, which is expected to be 6.00 p.m. on the day two calendar days prior to the Court Meeting or any adjournment thereof (as the case may be)
<b>“Wider Charter Court Group”</b>	Charter Court and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which Charter Court and/or such subsidiaries or undertakings (aggregating their interests) have a Significant Interest
<b>“Wider OSB Group”</b>	OSB and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which OSB and/or such subsidiaries or undertakings (aggregating their interests) have a Significant Interest

For the purposes of this Announcement:

- **“subsidiary”, “subsidiary undertaking”, “undertaking”** have the respective meanings given thereto by the Companies Act and **“associated undertaking”** has the meaning given by paragraph 19 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (other than paragraph 19(1)(b) of Schedule 6 to those Regulations which shall be excluded for this purpose);

- all references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom;
- all references to time in this Announcement are to London time unless otherwise stated;
- all references to “**pounds**”, “**pounds Sterling**”, “**Sterling**”, “**GBP**”, “**£**”, “**pence**”, “**penny**” and “**p**” are to the lawful currency of the United Kingdom;
- all references to “**Euro**” or “**€**” are to the lawful currency of the European Union; and
- references to the singular include the plural and vice versa.

**SCHEDULE 2**  
**Employee-related Matters**

The parties agree that the following provisions will, where appropriate, apply to the Charter Court Share Plans and certain other employee incentive arrangements. In the event the Combination is effected by way of an Offer, references to the “**Sanction Date**” in this Schedule 2 will be read as if they refer to the date on which the Offer becomes or is declared unconditional in all respects.

**1. Definitions**

1.1 For the purposes of this Schedule 2, the following words shall have the following meanings:

“**Annual Bonus Plan**” means the Charter Court Annual Bonus Plan;

“**Charter Court Remuneration Committee**” means the remuneration committee of the board of directors of Charter Court;

“**Combined Group**” means the combined OSB Group and Charter Court Group resulting from the Combination;

“**Consultant Conditions**” means:

- i. either: (i) the Financial Conduct Authority unconditionally confirming to OSB that OSB or another member of the Combined Group can engage Sebastien Maloney as an independent contractor on the terms set out in paragraph 6.2 (or such other terms as may be agreed between the parties to reflect limb (iv) of this definition); or (ii) if such confirmation cannot be obtained or will not be given then, other than (for the avoidance of doubt) where the Financial Conduct Authority has considered such application and refuses to do so on the merits, there are no reasonable grounds to believe that if Sebastien Maloney is engaged as an independent contractor on the terms set out in paragraph 6.2 (or such other terms as may be agreed between the parties to reflect limb (iv) of this definition), the Financial Conduct

Authority would object to such engagement;

- ii. either: (i) the Prudential Regulatory Authority unconditionally confirming to OSB in a form satisfactory to OSB (acting reasonably and having taken legal advice) that OSB or another member of the Combined Group can engage Sebastien Maloney as an independent contractor on the terms set out in paragraph 6.2 (or such other terms as may be agreed between the parties to reflect limb (iv) of this definition); or (ii) if such confirmation cannot be obtained or will not be given then, other than (for the avoidance of doubt) where the Financial Conduct Authority has considered such application and refuses to do so on the merits, there are no reasonable grounds to believe that if Sebastien Maloney is engaged as an independent contractor on the terms set out in paragraph 6.2 (or such other terms as may be agreed between the parties to reflect limb (iv) of this definition), the Prudential Regulatory Authority would object to such engagement
  
- iii. either: (i) HM Revenues and Customs confirming to OSB (whether through a statutory or non-statutory clearance procedure, or otherwise) that, if Sebastien Maloney is engaged as an independent contractor on the terms set out in paragraph 6.2 (or such other terms as may be agreed between the parties to reflect limb (iv) of this definition), no member of the Combined Group will be required to operate PAYE or be liable to employer NICs in respect of any payments to him; or (ii) if such confirmation cannot be obtained or will not be given, OSB being satisfied that, if Sebastien Maloney

is engaged as an independent contractor on the terms set out in paragraph 6.2 (or such other terms as may be agreed between the parties to reflect limb (iv) of this definition), no member of the Combined Group will be obliged or required to operate PAYE or be liable to employer NICs in respect of any payments to him;

- iv. if any member of the Combined Group is unable to recover any VAT paid in respect of fees charged by Sebastien Maloney in his capacity as an independent contractor, arrangements satisfactory to OSB (acting reasonably and in good faith) are implemented or agreed to be implemented by Sebastien Maloney such that that member of the Combined Group will be put in the position it would have been in had it not been required to pay any VAT in respect of such fees taking into account the amount of Employer (secondary class 1) National Insurance contributions which such member of the Combined Group would have been liable to pay had the payment of such fees to Sebastien Maloney been subject to such contributions; and
- v. the senior accounting officer of OSB (as defined by reference to paragraph 16 of Schedule 46 to the Finance Act 2009) confirming, acting reasonably and in good faith, to OSB that she is satisfied that the engagement of Sebastien Maloney as an independent contractor has been or will be implemented in a manner such that she will be able to comply with her duties under paragraphs 1 and 2 of Schedule 46 to the Finance Act 2009.

<b>“Deferred Bonus Plan”</b>	means the Charter Court Deferred Bonus Plan 2017;
<b>“OSB DSBP”</b>	means the OSB Deferred Share Bonus Plan 2014;
<b>“OSB PSP”</b>	means the OSB Performance Share Plan 2014 as at the date hereof;
<b>“Performance Share Plan”</b>	means the Charter Court Performance Share Plan 2017;
<b>“Sanction Date”</b>	means the date on which the Scheme is sanctioned by the Court under section 899 of the Act;
<b>“Sharesave Plan”</b>	means the Charter Court Sharesave Scheme;
<b>“Trust”</b>	means the Charter Court employee benefit trust, a discretionary share trust established by Charter Court in connection with the operation of the Charter Court Share Plans.

1.2 Capitalised words and terms used but not defined in this Schedule 2 shall have the meaning given to them in the Agreement.

## **2. Operation of the Charter Court Share Plans before the Effective Date**

2.1 OSB acknowledges that, before the Effective Date, the Charter Court Directors (and, where appropriate, the Charter Court Remuneration Committee) may operate the Charter Court Share Plans as they consider appropriate in accordance with the rules of the relevant Charter Court Share Plans and Charter Court’s normal practice, modified as the Charter Court Directors and/or Charter Court Remuneration Committee considers appropriate to take account of the Combination or any change in regulation, provided that Charter Court will consult with OSB and take any representations made by OSB into account before making any modification of any of the Charter Court Share Plans, and subject to rule 21.1 of the City Code.

For the avoidance of doubt and subject to rule 21.1 of the City Code, the operation of the Charter Court Share Plans as the Charter Court Directors (and, where appropriate, the Charter Court Remuneration Committee) consider appropriate includes: issuing invitations and granting new awards in respect of any ordinary annual operation of the Charter Court Share Plans and in accordance with normal practice; granting awards under the Charter Court Share Plans at other times in respect of recruitment or for retention purposes; determining any and all performance conditions for outstanding awards due to vest (including how any such performance conditions will be tested before the Sanction Hearing), and in accordance with normal practice; determining the timing and extent to which awards under the Charter Court Share Plans will vest in the ordinary course; satisfying the vesting, exercise and release of awards under the Charter Court



Share Plans (for example, by issuing new Charter Court Shares or transferring Charter Court Shares from the Trust or settling awards in cash); and determining the treatment of awards held by leavers.

- 2.2 Without prejudice to the generality of paragraph 2.1 of this Schedule, OSB acknowledges that Charter Court intends to grant awards in March 2019 under the Performance Share Plan and the Deferred Bonus Plan (the “**2019 PSP Awards**” and the “**2019 DBP Awards**” respectively) to such participants as may be identified by the Charter Court Remuneration Committee, on the terms of such plans and, in the case of the 2019 PSP Awards, subject to such performance condition or conditions as determined by the Charter Court Remuneration Committee.

### 3. Treatment of Charter Court Share Plan awards in connection with the Acquisition

#### 3.1 Performance Share Plan

- (A) The parties to this Agreement acknowledge that, in accordance with the rules of the Performance Share Plan, outstanding awards granted under the Performance Share Plan in 2017 (the “**2017 PSP Awards**”), 2018 (the “**2018 PSP Awards**”) and 2019 (the “**2019 PSP Awards**”) which are unvested or not exercisable immediately before the Sanction Date will vest and become exercisable on the Sanction Date, subject to the following agreed principles:
- (i) the 2017, 2018 and 2019 PSP Awards will vest and become exercisable by reference to the satisfaction of applicable performance conditions as determined by the Charter Court Remuneration Committee in accordance with the Performance Share Plan rules;
  - (ii) the vesting of the 2017 PSP Awards will not be subject to time-based proration;
  - (iii) the vesting of the 2018 PSP Awards will be subject to time-based proration, applied on the basis that a time-based pro rata vesting proportion of 2/3rds will apply to the 2018 PSP Awards;
  - (iv) the vesting of the 2019 PSP Awards will be subject to time-based proration, applied in accordance with the rules of the Performance Share Plan; and
  - (v) in accordance with the rules of the Performance Share Plan, the 2017 PSP Awards, 2018 PSP Awards and 2019 PSP Awards will vest with effect from the Sanction Date, with such awards not being subject to any holding period, and will remain exercisable for (unless they lapse earlier in accordance with their terms) a period of six months from the Sanction Date (and thereafter shall lapse).
- (B) OSB agrees, with effect from the Effective Date, to grant to each participant holding an outstanding 2018 PSP Award and/or 2019 PSP Award as at the Sanction Date, who remains in employment on the date of grant, an award under either the OSB PSP or, if necessary, under terms which are (save as to

amendments required to implement the arrangements set out in this Agreement and the manner of delivery of OSB Shares, or minor differences consequential thereon) the same as the rules of the OSB PSP, where: (i) the number of OSB Shares over which each such award shall be granted shall be determined by reference to the following formula:

$$N \times I$$

where:

N = the number of Charter Court Shares subject to the corresponding 2018 or 2019 PSP Award;

I = the inverse of the time-based pro rata vesting proportion applied at the Sanction Date (such inverse proportion therefore being 1/3rd in the case of the 2018 PSP Awards),

with the result then being converted into a number of OSB Shares at the same ratio of Charter Court Shares to OSB Shares delivered as consideration under the Scheme; and (ii) such awards shall be on the same terms as the OSB PSP, applied on the same basis as are applied to OSB employees who participate in that plan, subject to the following agreed principles:

- (i) the performance conditions attaching to such awards shall be the same as those attaching to other awards granted under the OSB PSP in the corresponding year (being 2018 for the awards granted in partial replacement of 2018 PSP Awards and 2019 for the awards granted in partial replacement of 2019 PSP Awards), and any adjustment or determination made in respect of such performance conditions shall apply on the same terms as any such adjustment or determination made in respect of the awards granted under the OSB PSP in the corresponding year to OSB employees (and OSB confirms all the awards granted within the same year are granted subject to the same performance condition); and
- (ii) in respect of such awards corresponding to 2018 PSP Awards and the 2019 PSP Awards, any time-based pro-rating that is required under the rules of the OSB PSP will be assessed by reference to the period of employment with the Combined Group from the Effective Date as compared on a straight-line basis to (a) in the case of the awards granted as partial replacement for the 2018 PSP Awards, the period of twelve months from the Effective Date; and (b) in the case of the awards granted as partial replacement for the 2019 PSP Awards, the period to the end of the relevant performance period.

### **3.2 Deferred Bonus Plan**

In accordance with the rules of the Deferred Bonus Plan, the 2019 DBP Awards will vest in full and become exercisable on the Sanction Date and remain exercisable for six

months (unless such awards lapse earlier in accordance with their terms), after which unexercised awards will lapse.

### 3.3 Sharesave Plan

- (A) In accordance with the rules of the Sharesave Plan, all outstanding awards will, if not already exercisable, become exercisable at the time of the Sanction Date and remain exercisable for six months (unless they lapse earlier in accordance with their terms) to the extent of the participants' savings at the time of exercise.
- (B) OSB agrees to offer holders of outstanding options under the Sharesave Plan the opportunity to release all or any of their Sharesave Plan options over Charter Court Shares in consideration for the grant of an equivalent option over OSB Shares (the "**Sharesave Rollover Options**") on and subject to the rules of the Sharesave Plan and in full compliance with the legislative requirements under which tax-advantaged status applies to the Sharesave Plan.
- (C) OSB undertakes to seek to ensure that tax-advantaged status is and until exercise remains applicable to Sharesave Rollover Options.

### 3.4 Annual Bonus Plan

- (A) The parties to this Agreement acknowledge and agree that, in accordance with and subject to the rules of the Annual Bonus Plan, on the Effective Date a bonus will become due to be paid, in accordance with the following agreed principles:
  - (i) the amount of any bonus shall be determined by reference to the applicable bonus performance conditions/metrics by the Charter Court Remuneration Committee in accordance with the Annual Bonus Plan rules;
  - (ii) subject to paragraph 3.4.2 of this Schedule, the amount of the bonus award will be subject to time-based proration; and
  - (iii) any such bonus award shall be paid in full in cash as soon as is practicable following the Effective Date (and by no later than the first available monthly payroll date following the Effective Date or, if the next monthly payroll date falls too soon after the Effective Date to make payment of such bonus award practicably, the next but one payroll date).

3.5 The parties to this Agreement acknowledge and agree that (subject to paragraphs 6.1 and 6.2 of this Schedule in respect of Ian Lonergan and Sebastien Maloney) participants in the Annual Bonus Plan shall, following the Effective Date, be eligible to participate in the OSB annual bonus arrangements in respect of the remaining part of 2019 (a "**Post-Completion Bonus**"), with such arrangements applied on the same basis and terms as are applied in respect of OSB employees, subject to the following agreed principles:

- (i) the annual current bonus opportunity for participants in the Annual Bonus Plan shall continue to apply, with the bonus opportunity in respect of the remaining part of 2019 being a time-based pro rata proportion that is the

inverse of the time-based pro rata vesting proportion applied in determining any bonus payment under the Annual Bonus Plan at the date of the Sanction Date;

- (ii) any non-individual performance conditions applicable to the Post-Completion Bonus shall be the same as those applicable to determine 2019 annual bonuses for OSB employees, with such non-individual performance conditions also applied in the same manner and subject to any adjustment or determination on the same basis as is applied in respect of OSB employees, and with individual performance conditions to be determined by the Remuneration Committee of OSB as reconstituted following the Combination as soon as practicable following the Effective Date and on the basis that such individual performance conditions for Charter Court employees may, if so determined by the Remuneration Committee of OSB as reconstituted following the Combination, comprise integration-based metrics; and
- (iii) that any employee ceasing employment with the Combined Group by reason of redundancy shall be granted good leaver status for the purpose of such Post-Completion Bonus.

### **3.6 The Trust**

- (A) As of 12 March 2019, the Trust held 155,440 Charter Court Shares.
- (B) Subject always to Charter Court's ability to make recommendations to the trustee of the Trust to use the Charter Court Shares held in the Trust to satisfy awards vesting or being exercised in the normal course, the parties to this Agreement agree that the trustee of the Trust will be requested to agree to satisfy any awards under the Charter Court Share Plan that vest or are exercised at any time on or before the Sanction Date using any Charter Court Shares held in the Trust at such time in priority to Charter Court issuing Charter Court Shares (including any transfer out of treasury) for such purpose.

## **4. Other share plan matters**

- 4.1 OSB agrees that none of the Charter Court employees who are granted replacement PSP awards as referred to in paragraph 3.1, or who may be granted awards under the OSB PSP in 2020, will be required to bear the cost of any employers' National Insurance Contributions arising in connection with such awards.
- 4.2 Subject to applicable confidentiality, legal and regulatory requirements, Charter Court agrees to co-operate with and provide such details to OSB in relation to the Charter Court Share Plans and/or Charter Court employee incentive arrangements as OSB may reasonably request in order to plan and make appropriate proposals to the participants in the Charter Court Share Plans or Charter Court employee incentive arrangements, as provided for in Rule 15 of the City Code. The parties agree that that Charter Court will: (i) prepare, in a form to be agreed between Charter Court and OSB, communications (which may be sent in electronic form) to be sent jointly by Charter Court and OSB to each of the participants in the Charter Court Share Plans to enable OSB to satisfy its obligations

under Rule 15 of the City Code; and (ii) send, or arrange for the sending of, such communications to the participants at the appropriate time as agreed between the parties.

- 4.3 The parties to this Agreement agree that the Scheme Record Time (as will be defined in the Scheme Document) shall take place after the day of the Sanction Hearing to allow sufficient time for those participants in the Charter Court Share Plans who acquire Charter Court Shares on or before the day of the Sanction Hearing and/or who exercise awards under the Charter Court Share Plans with effect from Scheme Sanction to have those Charter Court Shares acquired by OSB through the Scheme for the same consideration that is offered to Charter Court Shareholders under such Scheme.
- 4.4 Charter Court's articles of association will be changed pursuant to a shareholder resolution approved at the General Meeting so that any Charter Court Shares issued after the Scheme Record Time (as will be defined in the Scheme Document) will, to the extent not otherwise acquired under the Scheme, be automatically transferred to, or to the order of, OSB in exchange for the same consideration as is due under the Scheme (or such other consideration as may be agreed between OSB and Charter Court and disclosed in the Scheme Document).
- 4.5 OSB agrees that Charter Court may make any submission to the Takeover Panel which it deems necessary to implement the arrangements referred to in this Schedule, and further agrees to co-operate promptly and in good faith in the making of any such submission.
- 4.6 Charter Court confirms that as at 12 March 2019, inclusive of dividend equivalents (calculated as at 12 March 2019):
- (A) There are awards over 2,566,236 Charter Court Shares under the Performance Share Plan. In respect of these, awards over 8,466 Charter Court Shares have vested (but are unexercised) as at 12 March 2019.
  - (B) There are no awards outstanding over Charter Court Shares under the Deferred Bonus Plan.
  - (C) There are options over 1,682,812 Charter Court Shares under the Sharesave Plan.

## **5. Employees**

### **5.1 Redundancy**

OSB undertakes, immediately following the Effective Date, to amend the OSB and Charter Court redundancy policies to provide for an enhanced level of redundancy payment that will apply to any employees of the Combined Group who are made redundant within a period commencing immediately following the Effective Date and of a duration to be agreed by the parties (but with such period to be based on the anticipated period of integration), under which an enhanced redundancy payment of 2 x statutory redundancy (as calculated under s.162 Employment Rights Act 1996) plus 1.5 weeks' salary (uncapped) per year of service (with pro rata credit for part years of service in respect of such 1.5 weeks) will be payable (subject to the terms referred to below

paragraphs 6.1 and 6.2 of this Schedule in the case of Ian Lonergan and Sebastien Maloney).

## 5.2 Retention

The parties to this Agreement agree that as soon as practicable following the announcement of the Combination, the parties shall agree an amount of funds that shall be applied for the purpose of making retention awards to selected employees of the Charter Court Group and/or OSB Group, and that:

- (i) any such awards will be granted as soon as practicable to recipients and on terms and of a quantum determined at the discretion of the Charter Court CEO and OSB CEO (acting jointly); and;
- (ii) such awards shall be subject to any regulatory notification requirements, to the extent applicable depending on the proposed recipients and terms of the awards, and each party agrees that the other shall be permitted to make any regulatory submission required to comply with any such requirements.

## 6. Ian Lonergan and Sebastien Maloney

6.1 In respect of Ian Lonergan (“IL”), the parties to this Agreement agree and acknowledge that IL will resign as a Charter Court Director on, and with effect from, the Effective Date. OSB agrees that following such resignation, subject to obtaining any necessary regulatory approvals, IL will remain in employment in the role of Integration Director on the following terms:

- (A) IL will be retained under a contract that is terminable on notice. The parties agree that, subject to prior termination of the contract or the contract ending on such date due to prior service of notice, notice to terminate will be deemed served by OSB on the date falling 18 months after the Effective Date (the “**IL Contract**” and the date falling 18 months after the Effective Date being the “**Intended IL Contract End Date**”);
- (B) the roles and responsibilities of IL under the IL Contract shall not be such so as to cause IL to be required to be classified as a Person Discharging Managerial Responsibilities for the purposes of EU Regulation 596/2014 (provided that, for the avoidance of doubt, this paragraph shall not operate to prevent in any way OSB from complying with and taking appropriate steps to ensure that its employees comply with that regulation or any other relevant applicable law or regulation);
- (C) IL will be entitled to a base salary equal to £609,875 per annum, paid in equal monthly instalments;
- (D) if OSB terminates the IL Contract for any reason other than gross misconduct or serious breach of contract, or is deemed to have given notice to terminate the IL Contract on the Intended IL Contract End Date, OSB will make a lump sum

payment of base salary in lieu of 12 months' notice, such payment to be made without a requirement for IL to mitigate loss;

- (E) the amount of notice which IL is required to serve in order to terminate the IL Contract shall: (i) be 12 months until the date falling six months after the Effective Date; and (ii) on and from the date falling six months after the Effective Date, will decrease each month by one month, such that it will not entitle him to work beyond the Intended IL Contract End Date (subject to any statutory requirements in respect of minimum notice served, if applicable) unless OSB agrees to accept service of a longer period of notice (such notice not to exceed 12 months). OSB may at any time following the service of notice by IL terminate the IL Contract with immediate effect by making a lump sum payment of base salary in lieu of the relevant notice period, such payment to be made without a requirement for IL to mitigate loss;
- (F) if IL is made redundant following the Effective Date he will be entitled to a payment calculated as 1 x statutory redundancy (as calculated under s.162 Employment Rights Act 1996) plus 1.5 weeks' base salary (uncapped) per year of service (with pro rata credit for part years of service in respect of such 1.5 weeks);
- (G) the IL Contract will contain post-termination restrictions that OSB (acting reasonably) considers suitable, relating to IL's activities following the termination of the IL Contract and which will be no more onerous than the terms of the covenants contained in IL's current employment arrangements;
- (H) IL will, with respect to each of: (i) the period of time between the Effective Date and 31 December 2019, and (ii) any period of 2020 worked, be awarded a bonus or bonuses under OSB's bonus plan based on an opportunity level of 100% of base salary. Such bonus will be subject to the satisfaction of performance targets, which will comprise (i) as to 90 per cent, the normal business balanced scorecard as applied to all other OSB employees in 2019 and 2020, with any determinations or assessments in connection therewith made on the same basis as for all other such employees; and (ii) as to 10 per cent suitable performance targets set by the Remuneration Committee of OSB (which shall take into account targets set by the OSB Integration Committee) with on target performance delivering 100% of the bonus opportunity. In the event that IL is a good leaver as set out in paragraph 6.1(M) below, any payment of the bonus will be subject to satisfaction of performance conditions and reduced (by no more than a straight-line pro rata basis) to reflect the period of time served, save that if the IL Contract ends within six months after the Effective Date, the determination of whether and, if so, the extent to which any bonus is reduced will assume that the IL Contract has been in place for six months (but taking into account any part of the period of six months from the Effective Date in respect of which, in accordance with this paragraph 6.1(H), a bonus has previously been received by IL or has previously been communicated and become irrevocably due and payable without yet having been paid). All payments will be made subject to deferral in line with OSB's normal policy, which OSB confirms in the case of IL will: (i) require deferral under the terms of the OSB DSBP over a period of no more than three years; (ii) be applied to no more than 50 per cent of the bonus amount; and (iii) have no additional conditions on vesting beyond those set out in the rules of the OSB

Deferred Share Plan at the date hereof. OSB confirms that it fully intends that in the event of a good leaver termination, the deferred awards subject to this paragraph 6.1(H) will accelerate to the date of termination;

- (I) the benefits and level of pension contributions or allowance to which IL is currently entitled will be provided to him on a comparable basis during the term of the IL Contract;
- (J) that subject to IL being in employment with the Combined Group on the normal grant date for such awards, IL shall be granted an award, the value of which shall be 100 per cent of base salary as set out in paragraph 6.1(C) above, under the OSB PSP in 2020;
- (K) OSB confirms that if any post-vesting holding period applies to any awards granted to IL to replace the 2018 PSP Awards or the 2019 PSP Awards (as set out in more detail in paragraph 3.1(B) above) (the “**IL Replacement PSP Awards**”), or under the OSB PSP in 2020, such holding period shall:
  - (i) be a period of no longer than two years;
  - (ii) apply as a sale restriction on shares delivered on vesting or the exercise of awards;
  - (iii) apply to shares net of any shares sold to cover tax arising on vesting; and
  - (iv) not impose any forfeiture terms during its duration.
- (L) OSB further confirms that, subject to the same being in compliance with the City Code, it is fully intended that the vesting of any IL Replacement PSP Awards will, in the event of a good leaver termination of the IL Contract, be accelerated to the date of such termination
- (M) OSB agrees that on any termination of the IL Contract by OSB, other than for a termination for gross misconduct or serious breach of contract: (i) for the purposes of any bonus, deferred bonus awards, IL Replacement PSP Awards and any award granted under the OSB PSP in 2020, IL will be a good leaver; and (ii) IL will be eligible for the enhanced element of redundancy as set out in paragraph 6.1(F) above;
- (N) for the avoidance of doubt, any awards or options held by IL under the Performance Share Plan, Deferred Bonus Plan and/or the Sharesave Plan will be treated in accordance with paragraphs 3.1, 3.2, and 3.3 above and IL’s participation in the Annual Bonus Plan in respect of the period of 2019 until the Court Sanction will be treated in accordance with paragraph 3.4 above; and
- (O) OSB agrees that IL will not, in connection with the IL Replacement PSP Awards, or any awards granted to him under the OSB PSP in 2020 or under the OSB DSBP, be required to bear the cost of any employers’ National Insurance Contributions arising in connection with such awards.



6.2 In respect of Sebastien Maloney (“**SM**”), the parties to this Agreement agree and acknowledge that SM will resign as a Charter Court Director on and with effect from the Effective Date. OSB agrees that following such resignation, the services of SM will be retained in an advisory capacity as, subject to: (i) all of the Consultant Conditions being satisfied; or (ii) limbs (i) and (ii) of the Consultant Conditions being satisfied or waived by OSB and SM agreeing in writing that any payments owed to him will be paid subject to deductions for income tax and employee National Insurance contributions (and for the avoidance of doubt, that VAT shall not be payable on such payments), a consultant on the following terms subject always to obtaining any necessary regulatory approvals:

- (A) SM will be retained under a contract that is terminable on notice. The parties agree that, subject to prior termination of the contract, notice to terminate will be deemed served by OSB such that his contract terminates 12 months after the Effective Date (the “**SM Contract**” and the date falling 12 months after the Effective Date being the “**Intended SM Contract End Date**”);
- (B) SM will receive a payment of £430,500 per annum, paid in equal monthly instalments;
- (C) If all Consultant Conditions are satisfied (or limbs (i) and (ii) of the Consultant Conditions are satisfied or waived by OSB and SM agrees in writing that any payments owed to him will be paid subject to deductions for income tax and employee National Insurance contributions (and for the avoidance of doubt, that VAT shall not be payable on such payments), such that as set out above, SM will be retained as a consultant, then on the Effective Date, Charter Court confirms that SM’s current employment contract will be terminated by Charter Court making a lump sum payment of £430,500, such payment to be made without a requirement for SM to mitigate loss, and at such time SM will also be entitled to statutory redundancy (as calculated under s.162 Employment Rights Act 1996);
- (D) on termination of the SM Contract by OSB other than due to serious breach of the SM Contract, SM shall be entitled to a payment of an amount equal to 3/104ths of the amount in paragraph 6.2(B) for each year of service by SM as an employee of Charter Court together with (if relevant) each year as a consultant under the SM Contract (with pro rata credit for part years of such service);
- (E) SM will, with respect to each of: (i) the period of time between the Effective Date and 31 December 2019, and (ii) any period between 1 January 2020 to the termination of the SM Contract, be awarded an incentive payment or incentive payments on terms that are substantively the same as the terms of OSB’s bonus plan based on an opportunity level of up to £430,500. Such incentive payment will be subject to the satisfaction of performance targets, which will comprise (i) as to 90 per cent, the same business balanced scorecard as is applied to all OSB employees in 2019 and 2020, with any determinations or assessments made in connection therewith made on the same basis as for all such employees; and (ii) as to 10 per cent suitable performance targets set by the Remuneration Committee of OSB (which shall take into account targets set by the OSB Integration Committee) with on target performance delivering 100% of the bonus opportunity. In the event that SM is a good leaver for the purpose of such incentive payments as set out in paragraph 6.2(K) below, any payment will be subject to

satisfaction of performance conditions and reduced (by no more than a straight-line pro rata basis) to reflect the period of time elapsed from the Effective Date to the termination of the SM Contract, save that if the SM Contract ends within six months after the Effective Date, the determination of whether and, if so, the extent to which any incentive payment is reduced will assume that the SM Contract has been in place for six months (but taking into account any part of the period of six months from the Effective Date in respect of which, in accordance with this paragraph 6.2(E), an incentive payment has previously been received by SM or has previously been communicated and become irrevocably due and payable without having been paid). All payments will be made subject to deferral in line with OSB's normal policy, which OSB confirms in the case of SM will: (i) require deferral under terms which are substantively equivalent to those of the OSB Deferred Bonus Plan over a period of no more than three years; (ii) be applied to no more than 50 per cent of the incentive payment; (iii) have no additional conditions on vesting beyond those set out in the rules of the OSB DSBP as at the date hereof. OSB confirms that it fully intends that in the event of a good leaver termination, the deferred awards subject to this paragraph 6.2(E) will accelerate to the date of termination;

- (F) the benefits and level of pension contributions or allowance to which SM is currently entitled will be provided to him on a comparable basis during the term of the SM Contract, and the SM Contract will contain post-termination restrictions that OSB (acting reasonably) considers suitable, relating to SM's activities following the termination of the SM Contract, and which will be no more onerous than the terms of the covenants contained in SM's current employment arrangements;
- (G) that, without prejudice to the provisions of paragraph 6.2(N) below, the parties will, in good faith, discuss after the date of this Agreement participation by SM in an equivalent arrangement to the OSB PSP in 2020 (in the event of the SM Contract not having terminated by the normal date in 2020 for the grant of performance share plan awards by OSB) by reference to a grant value of 100% of the amount referred to in paragraph 6.2(B) above;
- (H) OSB confirms that if any post-vesting holding period applies to any awards granted to SM to replace the 2018 PSP Award or 2019 PSP Awards (as set out in more detail in paragraph 3.1 above) (the "**SM Replacement PSP Awards**"), or any award granted to SM under the OSB PSP in 2020 (or in each case any incentive award that is equivalent thereto) such holding period shall:
  - (i) be a period of no longer than two years;
  - (ii) apply as a sale restriction on shares delivered on vesting or the exercise of awards;
  - (iii) apply to shares net of any shares sold to cover tax arising on vesting; and
  - (iv) not impose any forfeiture terms during its duration.

- (I) in the event that SM is not engaged as an employee on the date on which any SM Replacement PSP Awards would have been granted and thus he does not receive such an award, OSB shall pay to SM, on the date on which such SM Replacement PSP Award would have vested had he received such grant, an amount equal to the value of the OSB Shares he would have been entitled to under such award (subject to any terms relating to performance conditions or time pro rating that would have applied to such award);
- (J) OSB further confirms that, subject to the same being in compliance with the City Code, it is fully intended that the vesting of any SM Replacement PSP Awards will, in the event of a good leaver termination of the SM Contract, be accelerated to the date of such termination;
- (K) OSB agrees that on any termination of the SM Contract by OSB, other than a termination due to gross misconduct or serious breach of the SM Contract: (i) for the purposes of any incentive payment referred to in paragraph 6.2(E) above (including any deferred bonus awards granted in connection therewith); the SM Replacement PSP Awards and any award granted in 2020 to SM under the OSB PSP (or in each case any incentive award that is equivalent thereto) SM will be a good leaver;
- (L) for the avoidance of doubt, any awards held by SM under the Performance Share Plan, Deferred Bonus Plan and/or the Sharesave Plan will be treated in accordance with paragraphs 3.1, 3.2 and 3.3 above and SM's participation in the Annual Bonus Plan in respect of the period of 2019 until the Effective Date will be treated in accordance with paragraph 3.4 above; and;
- (M) OSB agrees that SM will not, in connection with the SM Replacement PSP Awards, or any awards granted to him under the OSB PSP in 2020 or under the OSB DSBP, be required to bear the cost of any employers' National Insurance Contributions arising in connection with such awards; but
- (N) in the event that SM is retained in a capacity as an employee, the terms above would be implemented in a manner to preserve the economic value of the preceding terms insofar as this is possible to do (and in such case such terms would include participation in the OSB PSP in 2020).

## **7. Subsequent group reorganisation**

OSB undertakes, in the event that any reorganisation of OSB is undertaken following the Effective Date, including by the insertion of a new group holding company, that OSB will seek to ensure, so far as is possible under the terms of the employee share plans operated at such time by OSB (and, as applicable, without prejudicing the tax-advantaged status of any awards), that awards under such plans shall not vest or accelerate as a result of such reorganisation and that (as applicable) awards over OSB Shares shall instead be "rolled-over" so as to be exchanged for equivalent awards over shares in a new group holding company.

**8. General**

- 8.1 Each party will co-operate with the other party in order to facilitate the implementation of the arrangements set out in this Schedule.
- 8.2 For the avoidance of doubt, the provisions of this Schedule 2 will, where appropriate, apply both in respect of currently subsisting options and/or awards, and any options and/or awards granted following the date of this Agreement.
- 8.3 All provisions set out in this Schedule 2 are subject to obtaining any necessary or appropriate approvals from any regulatory authority, and to any provision of any applicable law or rule of any regulatory authority, and each party agrees that the other shall be permitted to make any regulatory submission required to comply with any such requirements.
- 8.4 OSB's acknowledgements in paragraphs 2 and 3.4(A) do not impose any contractual restrictions or obligations on Charter Court or the Charter Court Directors.

IN WITNESS WHEREOF the parties have executed this Agreement on the date first set out above:

EXECUTED BY

JASON ELPHICK

acting for and on behalf of  
ONESAVINGS BANK PLC

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