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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.

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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.

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Max Mesny

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

Sandra Novakov

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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.