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If you are in any doubt about the contents of this document or what action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA if you are in the United Kingdom or from another appropriately authorised independent financial adviser if you are taking advice in a territory outside the United Kingdom.

If you sell, have sold or otherwise have transferred all of your OSB Shares, please send this document together with the accompanying documents (other than the personalised OSB Form of Proxy) at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or the transferee. These documents must not, however, be forwarded, transmitted, released, published or distributed, in whole or in part, in, into or from any Restricted Jurisdiction or any other jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction. If you sell, have sold or otherwise have transferred part only of your holding of OSB Shares, you should retain this document and the accompanying documents and contact the bank, stockbroker or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document, and any accompanying documents (in whole or in part) in, into or from jurisdictions other than the United Kingdom, and the allotment and issue of the New OSB Shares in jurisdictions other than the United Kingdom, may be restricted by the laws of those jurisdictions and therefore persons outside the United Kingdom into whose possession this document and/or any accompanying document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.



ONESAVINGS BANK PLC

(a public limited company registered in England and Wales with registered number 07312896)

Recommended all-share combination of OneSavings Bank plc and Charter Court Financial Services Group plc by means of a scheme of arrangement of Charter Court Financial Services Group plc under Part 26 of the Companies Act 2006

Circular to OSB Shareholders and Notice of the OSB General Meeting

Sponsor and Financial Adviser
Rothschild & Co

Corporate Broker and Financial Adviser
Barclays

A prospectus relating to OSB, the Combination and Admission, prepared in accordance with the Prospectus Rules, has been made available on OSB's website at www.osb.co.uk. Alternatively, OSB Shareholders may, subject to applicable securities laws, request a copy of the Prospectus by telephoning 0371 384 2050 (from within the UK) or +44 121 415 0259 (from outside the UK) between 8.30 a.m. and 5.30 p.m., Monday to Friday (excluding English and Welsh public holidays). Calls to +44 121 415 0259 from outside the UK will be charged at applicable international rates. Different charges may apply to calls made from mobile telephones.

This document (including all information incorporated into this document by reference to another source) should be read as a whole and in conjunction with the OSB Form of Proxy, Prospectus and the information incorporated by reference from the Prospectus. Neither this document nor any of the accompanying documents constitute or are intended to constitute or form part of any offer, invitation or solicitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue of any securities or the solicitation of any vote or approval pursuant to the Combination or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful. This document is not a prospectus.

Your attention is drawn to the letter from the Chair of OSB in Part I (Letter from the Chair) of this document, which contains the unanimous recommendation of the OSB Directors that you vote in favour of the OSB Resolution to be proposed at the OSB General Meeting referred to below. Please read the whole of this document and, in particular, the risks and other factors that should be considered set out in Part II (Risk Factors) of this document. You should not rely solely on the information included or summarised in this document.

Notice of the OSB General Meeting to be held at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY at 10.00 a.m. on 6 June 2019 is set out in Part VIII (Notice of OSB General Meeting) of this document. Whether or not you intend to attend the OSB General Meeting in person, you are asked to complete, sign and return the OSB Form of Proxy that accompanies this document (or appoint a proxy, electronically, as referred to in this document) in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by the Registrar not later than 10.00 a.m. on 4 June 2019 (or, if the OSB General Meeting is adjourned, not later than 48 hours before the time appointed for the adjourned meeting). If you hold OSB Shares in CREST, you may appoint a proxy through the CREST electronic proxy appointment service by completing and transmitting a CREST proxy instruction to the Registrar, Equiniti (under CREST participant ID RA19), so that it is received no later than 10.00 a.m. on 4 June 2019. If you would like to submit your proxy vote electronically, you can do so by visiting www.sharevote.co.uk. You will need to enter the Voting ID, Task ID and Shareholder Reference Number printed on the OSB Form of Proxy and follow the online instructions. The deadline for receipt of electronic proxies is 10.00 a.m. on 4 June 2019. The return of a completed OSB Form of Proxy or the appointment of a proxy electronically or through CREST will not preclude you from attending, speaking and voting at the OSB General Meeting in person if you are entitled and wish to do so.

Certain terms used in this document are defined in Part VII (Definitions).

If you have any questions about this document or the OSB General Meeting, or are in any doubt how to complete the Form of Proxy, please call Equiniti between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0371 384 2050 (if calling from within the UK) or +44 121 415 0259 (if calling from outside the UK). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones. Please note that calls may be monitored or recorded and Equiniti cannot provide legal, tax or financial advice or advice on the merits of the Combination.

Application will be made by OSB to the FCA for the New OSB Shares to be admitted to the premium-listing segment of the Official List and to the London Stock Exchange for the New OSB Shares to be admitted to trading on its Main Market for listed securities. Following completion of the Combination, the New OSB Shares will be issued 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, save that holders of the New OSB Shares will not be entitled to receive any dividend or other distribution announced, declared, made or paid by OSB by reference to a record date falling before the Effective Date. No application has been made or is currently intended to be made by OSB for the New OSB Shares to be admitted to listing or trading on any other exchange.

OSB Shareholders should only rely on the information contained in this document and the Prospectus. No person has been authorised to give any information or make any representations other than those contained or incorporated into this document and, if given or made, such information or representations must not be relied upon as having been so authorised by OSB, the OSB Directors, Rothschild & Co, Barclays or any other person involved in the Combination. Without prejudice to any legal or regulatory obligation on OSB to publish a supplementary prospectus pursuant to section 87G of FSMA and Prospectus Rule 3.4, or a supplementary circular pursuant to Listing Rule 10.5.4R, neither the delivery of this document nor the holding of the OSB General Meeting, nor Admission shall, under any circumstances, create any implication that there has been no change in the business or affairs of the OSB Group or the Charter Court Group since the date of this document or that the information in, or incorporated into, this document is correct as at any time after its date.

Persons into whose possession this document comes should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of this document and the Combination. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction. The contents of this document should not be construed as legal, business or tax advice.

Overseas shareholders

The New OSB Shares have not been, and will not be, registered under the applicable securities laws of any jurisdiction outside the United Kingdom. Accordingly, the New OSB Shares may not be offered, sold, delivered or otherwise transferred, directly or indirectly, in, into or from any such jurisdiction, or to, or for, the account or benefit of citizens or residents of any such jurisdiction, 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. OSB Shareholders outside the United Kingdom are required by OSB to inform themselves about and observe any restrictions on the offer, sale or transfer of the New OSB Shares.

No action has been taken by OSB or Rothschild & Co to obtain any approval, authorisation or exemption to permit the allotment or issue of the New OSB Shares or the possession or distribution of this document (or any other publicity material relating to the New OSB Shares) in any jurisdiction other than the United Kingdom.

Additional information for US shareholders

The New OSB Shares have not been, and will not be, registered under the US Securities Act, or with any securities regulatory authority of any state, district or any other jurisdiction of the United States. Accordingly, the New OSB Shares may not be offered, sold or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act and any applicable state securities law or an exemption therefrom. The New OSB Shares to be issued to existing Charter Court Shareholders pursuant to the Scheme are expected to be issued in reliance upon an exemption from the registration requirements of the US Securities Act afforded by section 3(a)(10) thereof and exemptions from registration and qualification under applicable state securities laws. Charter Court Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Charter Court or OSB before, or of OSB after, the Effective Date will be subject to certain US transfer restrictions relating to the New OSB Shares received pursuant to the Scheme.

None of the securities referred to in this document has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

General

This document and the accompanying documents have been prepared to comply with English law, the City Code, the Listing Rules and applicable regulations, and the information disclosed may not be the same as that which would have been disclosed if this document or the accompanying documents had been prepared in accordance with the laws of any other jurisdiction.

For the avoidance of doubt, neither the Announcement nor the Scheme Document has been incorporated by reference into this document.

N. M. Rothschild & Sons Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for OSB and no one else in relation to the contents of this document, the Combination, Admission or any other matters referred to in this document and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Combination, Admission or any other matters referred to in this document and will not be responsible to anyone other than OSB for providing the protections afforded to clients of Rothschild & Co nor for providing advice in relation to the contents of this document, the Combination, Admission or any other matters referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Rothschild & Co under FSMA or the regulatory regime established thereunder, neither Rothschild & Co nor any of its affiliates accept any responsibility or liability whatsoever for, nor make any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or for any other statement made or purported to be made by OSB or on OSB's behalf, or by Rothschild & Co, or on Rothschild & Co's behalf in connection with the Combination, the New OSB Shares or Admission and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. To the fullest extent permitted by law, Rothschild & Co and its affiliates disclaim all and any duty, liability or responsibility whatsoever (whether direct or indirect and whether in contract, in tort, under statute or otherwise) which it might otherwise have in respect of this document or any such statement.

Barclays Bank PLC, acting through its Investment Bank, 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 Combination and will not be responsible to anyone other than OSB for providing the protections afforded to its clients nor for providing advice in connection with the Combination or any other matter referred to in this document.

THE CONTENTS OF THIS DOCUMENT OR ANY SUBSEQUENT COMMUNICATION FROM OSB OR ROTHSCHILD & CO OR ANY OF THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. OSB IS NOT AUTHORISED TO PROVIDE SUCH ADVICE. EACH OSB SHAREHOLDER SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

NOTHING CONTAINED IN THIS DOCUMENT SHALL BE DEEMED TO BE A FORECAST, PROJECTION OR ESTIMATE OF THE FUTURE FINANCIAL PERFORMANCE OF OSB, CHARTER COURT, THE OSB GROUP, THE CHARTER COURT GROUP OR, IF THE COMBINATION COMPLETES, THE COMBINED GROUP AND NO STATEMENT IN THIS DOCUMENT SHOULD BE INTERPRETED TO MEAN THAT EARNINGS PER OSB SHARE FOR THE CURRENT OR FUTURE YEARS WILL NECESSARILY MATCH OR EXCEED HISTORICAL PUBLISHED EARNINGS PER OSB SHARE, EXCEPT WHERE OTHERWISE STATED. OSB DOES NOT INTEND OR UNDERTAKE ANY OBLIGATION TO UPDATE ANY INFORMATION CONTAINED IN THIS DOCUMENT EXCEPT AS REQUIRED BY LAW.

This document is dated 15 May 2019.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates and times given in the table below in connection with the Combination are indicative only and are based on OSB's current expectations and are subject to change (including as a result of changes to the regulatory timetable and/or the process for implementation of the Combination). If any dates and/or times in this expected timetable change, the revised dates and/or times will be notified to OSB Shareholders by announcement through a Regulatory Information Service. All times shown are London times unless otherwise stated.

PRINCIPAL EVENTS	TIME AND/OR DATE⁽¹⁾
Publication of the Prospectus, the Circular and the Scheme Document	15 May 2019
Latest time for receipt of OSB Forms of Proxy/CREST proxy instructions for the OSB General Meeting	10.00 a.m. on 4 June 2019
Latest time for receipt of forms of proxy/CREST proxy instructions for the Court Meeting	10.00 a.m. on 4 June 2019
Voting Record Time for the OSB General Meeting	6.30 p.m. on 4 June 2019 ⁽²⁾
Voting Record Time for the Court Meeting	6.30 p.m. on 4 June 2019
OSB General Meeting	10.00 a.m. on 6 June 2019
Court Meeting	10.30 a.m. on 6 June 2019
Charter Court General Meeting	10.45 a.m. on 6 June 2019 ⁽³⁾
Court Sanction Hearing	a date expected to be in Q3 2019 subject to receipt of regulatory clearances ("D") ⁽⁴⁾
Last time for dealings in Charter Court Shares on the London Stock Exchange	4.30 p.m. on D + 1 ⁽⁴⁾
Scheme Record Time	6.00 p.m. on D + 1 ⁽⁴⁾
Suspension of listing of, and dealings in, Charter Court Shares on the London Stock Exchange	before open of business on D + 2 ⁽⁴⁾
Effective Date	D + 1 ⁽⁴⁾
Admission and commencement of dealings in the New OSB Shares on the London Stock Exchange	by 8.00 a.m. on D + 2
CREST accounts of former Charter Court Shareholders credited with New OSB Shares	On or soon after 8.00 a.m. on D + 2, but no later than 14 days after the Effective Date
Cancellation of listing of Charter Court Shares on the premium segment of the Official List and the Main Market of the London Stock Exchange	by 8.00 a.m. on D + 2
CREST accounts credited with any cash due in relation to the sale of fractional entitlements	within 14 days after the Effective Date ⁽⁴⁾
Despatch of: (a) cheques for any cash due to Restricted Overseas Persons under the Scheme; (b) cheques for any cash in relation to the sale of fractional entitlements; and (c) share certificates for New OSB Shares, in each case for those former Charter Court Shareholders who did not hold their Charter Court Shares in CREST	within 14 days after the Effective Date
Longstop Date	31 October 2019 ⁽⁵⁾

Notes:

- (1) All dates by reference to "D+1" and "D+2" will be to the date falling the number of indicated Business Days immediately after date D, as indicated above.
- (2) To be entitled to attend, speak and vote at the OSB General Meeting (and for the purpose of the determination by OSB of the votes they may cast), members must be registered on the register of members of OSB at 6.30 p.m. on 4 June 2019 (or, in the event of any adjournment, at 6.00 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the register of members of OSB after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the OSB General Meeting.
- (3) To commence at the time fixed or, if later, immediately after the conclusion or adjournment of the Court Meeting.
- (4) The Court Order is expected to be delivered to Companies House following the suspension of trading in Charter Court Shares and the Scheme Record Time on D+1, which date will then become the Effective Date. The events which are stated as occurring on subsequent dates are conditional on the Effective Date and operate by reference to this time.
- (5) This is the latest date by which the Scheme may become effective. However, such date may be extended to such later date as may be agreed in writing by OSB and Charter Court (with the Panel's consent and Court approval (if required)).

INDICATIVE STATISTICS

Number of New OSB Shares to be issued for each Charter Court Share	0.8253
Number of OSB Shares in issue as at the Latest Practicable Date (with no OSB Shares held in treasury)	245,155,033
Number of New OSB Shares to be issued in connection with the Combination	up to 202,165,502
Number of OSB Shares in issue immediately following Admission (with no OSB Shares held in treasury)	up to 447,320,535
New OSB Shares as a percentage of the OSB Shares in issue immediately following Admission (with no OSB Shares held in treasury)	approximately 45 per cent.

These figures are calculated assuming that the numbers of OSB Shares and Charter Court Shares in issue and to be issued on a fully diluted basis as at the close of business on the Latest Practicable Date do not change and that no issues of OSB Shares (other than those described above) and Charter Court Shares occur between the Latest Practicable Date and completion of the Combination.

Please see paragraph 7 of Part VI (Additional Information) for details of how these statistics are calculated.

PART I

LETTER FROM THE CHAIR



OSB Directors:

David Weymouth
Andy Golding
April Talintyre
Graham Allatt
Eric Anstee
Rod Duke
Margaret Hassall
Sarah Hedger
Mary McNamara

Registered Office

Reliance House
Sun Pier
Chatham
Kent ME4 4ET

15 May 2019

To OSB Shareholders and, for information only, to persons with information rights

Dear OSB Shareholder,

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

1. INTRODUCTION AND SUMMARY OF THE TERMS OF THE COMBINATION

On 14 March 2019, the OSB Board and the Charter Court Board jointly announced that they had reached agreement on the terms of a recommended all-share combination pursuant to which OSB will acquire the entire issued and to be issued ordinary share capital of Charter Court to form the Combined Group.

Under the terms of the Combination, which is subject to the Conditions and to the full terms and conditions which are 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 and conditions set out in the Scheme Document.

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 before 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 as at the Latest Practicable Date. 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 as at the Latest Practicable Date.

Charter Court has received irrevocable undertakings from the OSB Directors who hold OSB Shares to vote in favour of the OSB Resolution at the OSB General Meeting in respect of a total of 1,203,775 OSB Shares representing, in aggregate, approximately 0.49 per cent. of the ordinary issued share capital of OSB as at the Latest Practicable Date. In addition, Charter Court has received a letter of intent from Merian to vote in favour of the OSB Resolution to be proposed at the OSB General Meeting in respect of a total of 28,755,206 OSB Shares representing, in aggregate, approximately 11.73 per cent. of OSB's issued share capital as at the Latest Practicable Date.

The structure of the Scheme and the Conditions relating to the Combination are summarised at paragraph 10 of this Part I.

Further details of the New OSB Shares are provided at paragraph 12 of this Part I.

2. 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 of the Combination, 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; and
- 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; and

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 while 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.¹

The OSB Board expects approximately 30 per cent. of these cost synergies to be achieved by the end of the first 12-month period following completion of the Combination, approximately 75 per cent. 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 per cent. of the cost synergies are expected to be recognised in the first 12-month period following completion of the Combination, approximately 40 per cent. in the second 12-month period following completion of the Combination and approximately 90 per cent. 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 per cent. of the full run-rate pre-tax cost synergies);
- efficiencies from combined lending operations (expected to contribute approximately 20 per cent. of the full run-rate pre-tax cost synergies);
- bringing Charter Court's savings account operations in-house (expected to contribute approximately 20 per cent. of the full run-rate pre-tax cost synergies); and
- other operational efficiencies (expected to contribute approximately 10 per cent. of the full run-rate pre-tax cost synergies).

¹ This statement constitutes a Quantified Financial Benefits Statement under the City Code. Please see paragraph 3 of this Part I.

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 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.

3. FINANCIAL BENEFITS AND EFFECTS OF THE COMBINATION

The Boards of OSB and Charter Court believe the Combination has a strong financial rationale and expect 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 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); and
- 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 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 internal ratings-based accreditation projects for their mortgage portfolios and will continue to work towards accreditation following the completion of the Combination; and
- 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 put in place a new holding company for the Combined Group after 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.²

The OSB Board expects approximately 30 per cent. of these cost synergies to be achieved by the end of the first 12-month period following completion of the Combination, approximately 75 per cent. 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 per cent. of the cost synergies are expected to be recognised in the first 12-month period following completion of the Combination, approximately 40 per cent. in the second 12-month period following completion of the Combination and approximately 90 per cent. 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:

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

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). The Directors of OSB believe that the expected

² This statement constitutes a Quantified Financial Benefits Statement under the City Code.

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). 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 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 per cent. of underlying profit after taxation attributable to ordinary shareholders.

4. INTEGRATION PLANNING

In the period leading up to completion of the Combination, 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 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. MANAGEMENT, EMPLOYEES AND OFFICE LOCATIONS

5.1 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 OSB Audit Committee, Sir Malcolm Williamson will chair the OSB Nomination and Governance Committee, Graham Allatt will chair the OSB Risk Committee and Mary McNamara will chair the OSB 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 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 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 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 up to 12 months.

Subject to engagement with shareholders, the remuneration of Andy Golding and April Talintyre may be adjusted to reflect the growth in their roles and duties as a result of the Combination. Such adjustments are intended to be in line with the remuneration policy of OSB.

5.2 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, 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, both of which are expected to lead to a decrease in the number of full-time employees in the Combined Group. It is currently expected that the number of full-time employees of the Combined Group, being approximately 1,684 as at 31 December 2018, 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' service in respect of the 1.5 weeks).

5.3 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 per cent. of base salary per annum to 100 per cent. of base salary per annum. Any bonus will otherwise be delivered under terms broadly equivalent to those of 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; and payment of the full bonus will require "on target" performance. Ian Lonergan's existing awards under the Charter Court Share Plans will be treated in line with all other awards under the plans, including the grant of replacement PSP awards, as summarised below at paragraph 15. If he remains in employment until the normal grant dates, Ian Lonergan will participate in the OSB Performance Share Plan 2014 in 2020 and may be eligible to participate in 2021 at a grant level of 100 per cent. (reduced from the current level of 125 per cent.). 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' pay per year of service (with pro rata credit for part years' service in respect of those 1.5 weeks). If his employment is terminated at the end of the 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, it has been agreed that Ian Lonergan will be treated for his remuneration arrangements (including for determining eligibility for a payment in line with the enhanced element of the redundancy arrangements referred to above) 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 vesting of performance share plan awards would (or, in the case of an award granted in 2021, may) occur, subject to performance and time pro-rating, at the time of the departure.

It has been agreed that Sebastien Maloney will leave his current employment on completion of the Combination, and be provided with a payment in lieu of 12 months' base salary in line with his current employment contract and a redundancy payment. Sebastien Maloney will then be retained as an adviser to the Combined Group for a period of up to 12 months from completion of the Combination. Other than the incentive fees/cash PSP equivalent described below, he will be entitled to an overall payment of up to £540,600 (paid pro-rata monthly) and will also be entitled to receive incentive fees calculated on the basis of an aggregate maximum opportunity of £430,500. The amount of incentive fee payable will be based on performance conditions, with payment of the full fee opportunity requiring on target performance to be achieved. The performance metrics, as well as the other terms of this incentive fee arrangement, will be broadly equivalent to those applied under OSB's normal annual bonus and current 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. Sebastien Maloney's existing awards under the Charter Court Share Plans will be treated in line with all other awards under the plans, save that as he will not receive the replacement PSP awards summarised below at paragraph 15, OSB has agreed to provide him with a cash equivalent for those awards which will become payable on the same terms as apply to the replacement awards. On termination of his contract, other than by way of early termination by Sebastien Maloney or by OSB for serious breach of the contract or gross misconduct by Sebastien Maloney, Sebastien Maloney will be treated as a good leaver for the purpose of the incentive fee arrangement described above, and will be entitled to: (i) a termination payment equal to 3/104ths of his current salary per year of service (inclusive of his years of service as an employee of Charter Court prior to completion of the Combination, with pro rata credit for part years' service); and (ii) payment of any amount due in respect of the cash equivalent replacement share awards (as determined based on performance and subject to time pro-rating, in accordance with the terms of such awards).

All awards under any share plan (or their cash equivalent, if applicable), including any deferral, shall be subject to OSB's 2019 malus and clawback provisions.

The above is 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.

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.

5.4 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 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, in particular there are no current plans for large-scale IT integration. Owing to the nature of its business, Charter Court has no research and development function.

5.5 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.

5.6 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).

5.7 Other

No statements in this paragraph 5 constitute "post-offer undertakings" under Rule 19.5 of the City Code.

6. INFORMATION ON THE OSB GROUP

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 the 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 FLS and TFS, which OSB joined in 2014 and 2016, respectively.

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

7. INFORMATION ON THE CHARTER COURT GROUP

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 the 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 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.

8. CURRENT TRADING AND PROSPECTS

8.1 OneSavings Bank plc

OSB released its results for the financial year ended 31 December 2018 on 14 March 2019. A copy of the OSB 2018 Annual Report and Accounts is available on OSB's website at www.osb.co.uk.

On 15 May 2019, OSB released its trading update for the first quarter of 2019, ended 31 March 2019. The OSB trading update for the first quarter of 2019 included the following statements:

- Strong financial and operational performance has continued in the first quarter.
- Loan book growth of 5 per cent. for the three months to 31 March 2019 with net loans and advances growing by £448 million to £9.4 billion during the quarter (31 March 2018: £368 million and £7.7 billion, respectively).
- Organic originations of £799 million in the first three months of 2019 (Q1 2018: £689 million).

- Asset pricing remains stable, however as previously guided we continue to see marginal NIM dilution, as the higher yielding back book runs off and front end pricing becomes more dominant in the overall make up of our net interest margin.
- Andy Golding, CEO of OSB, said: “I am delighted with the performance that OneSavings Bank has achieved so far this year. The loan book growth to £9.4 billion for the first quarter of the year was supported by £0.8 billion of organic originations. Our lending and retail savings franchises remain strong and we have seen a good start to the year, with lending exceeding expectations. I am particularly pleased by the strong growth in our commercial and residential propositions. However it is still early in the year, and given the continued uncertainty surrounding Brexit, there is no change in our outlook for 2019.”

Since 31 March 2019, the OSB Group’s financial performance has been in line with management’s expectations.

8.2 Charter Court Financial Services Group plc

Charter Court released its results for the financial year ended 31 December 2018 on 14 March 2019. A copy of the Charter Court 2018 Annual Report and Accounts is available on Charter Court’s website at www.chartercourtfsc.co.uk.

On 15 May 2019, Charter Court released its trading update for the first quarter of 2019, ended 31 March 2019. The Charter Court trading update for the first quarter of 2019 included the following statements:

- Strong balance sheet growth maintained
 - Loan book up 17.9 per cent. year-on-year to £6.5 billion at 31 March 2019 (31 March 2018: £5.5 billion) or 28.1 per cent. to £7.1 billion excluding the impact of structured asset sales in the quarter
 - Record first-quarter new loan originations of £710 million (Q1 2018: £668 million) with strong performance across core buy to let, residential and short-term mortgage segments
 - High asset quality and strong credit performance maintained in the quarter
- Optimal funding mix maintained
 - Continued benefit of dynamic funding strategy leveraging customer deposits, wholesale and central bank facilities
 - Customer deposits up 29.7 per cent. year-on-year to £5.6 billion at 31 March 2019 (31 March 2018: £4.3 billion)
 - Residual interest in two securitisations sold for a pre-tax gain of £30 million in January 2019
- Well-capitalised for continued growth
 - CET 1 ratio of 16.3 per cent. (unaudited)
- Ian Lonergan, CEO of Charter Court, said: “I am pleased to report another strong quarter as we continued to deliver on our robust mortgage pipeline to generate record first quarter originations while maintaining high asset quality and strong credit performance. Despite a challenging macroeconomic and market backdrop, the Group completed the sale of its residual interest in two securitisations in January for a pre-tax gain of £30 million, equivalent to a 5.3 per cent. premium on the underlying £564 million of mortgage assets. Our performance in the first quarter continues to reflect the resilience of our lending operations and demonstrates our ability to structure and execute complex transactions, even in difficult market conditions.”

Since 31 March 2019, the financial performance of the Charter Court Group has been in line with the expectations of its management.

9. DIVIDENDS AND DIVIDEND POLICY

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 12-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, before 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 12-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 12-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, before 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 12-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 the Announcement and before 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 the Scheme Document) to (at OSB's sole discretion): (i) reduce the Consideration by an amount equivalent to all or any part of such excess, in the case of Charter Court Permitted Dividends or Charter Court Equalising Dividends, or otherwise by the amount of all or part of any such dividend and/or other form of capital return or distribution, in which case any reference in the Announcement or in the Scheme Document (or, if 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 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**").

The Charter Court Directors have confirmed that Charter Court has not announced, declared, made or paid any dividend and/or other distribution and/or other return of value other than a Charter Court Permitted Dividend in the period commencing on the date of the Firm Offer Announcement and ending on the Latest Practicable Date.

The OSB Directors have confirmed that OSB has not announced, declared, made or paid any dividend and/or other distribution and/or other return of value other than an OSB Permitted Dividend in the period commencing on the date of the Firm Offer Announcement and ending on the Latest Practicable Date.

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 per cent. 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 before the Effective Date.

10. STRUCTURE OF THE COMBINATION

10.1 Scheme of arrangement

The Combination is being 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 Resolution being passed by the requisite majority of OSB Shareholders at the OSB General Meeting. The Court Meeting has been convened for the 10.30 a.m. on 6 June 2019 and the Charter Court General Meeting has been convened for 10.45 a.m. on 6 June 2019. 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 further terms and conditions that are set out in the Scheme Document.

The Scheme Document includes 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 also contains the expected timetable for the Combination and specifies the necessary actions to be taken by Charter Court Shareholders. The Scheme Document and Forms of Proxy are being made available to all Charter Court Shareholders at no charge for them.

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

10.2 Conditions

The Combination is subject to the terms and conditions set out in the Scheme Document, including, among other things, upon:

- 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;
- 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:
 - 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
 - being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of or increase in control;
- the Charter Court General Meeting and the Court Meeting being held no later than 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);
- 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;
- the OSB Resolution being passed by the requisite majority of OSB Shareholders at the OSB General Meeting;
- 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;
- the Scheme becoming effective by the Longstop Date; and
- Admission becoming effective.

In respect of condition 4(B) (as summarised in the second bullet point of this paragraph 12.2), 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 paragraph 15 of this Part I.

10.3 Procedure

Before the Court is asked to sanction the Scheme, the Scheme will require the approval of Scheme Shareholders at the Court Meeting and the passing of the Charter Court Resolutions at the Charter Court General Meeting.

10.4 Court Meeting

The Court Meeting, which has been convened for 10.30 a.m. on 6 June 2019, is being held at the direction of the Court to seek the approval of Charter Court Shareholders entitled to vote for the Scheme.

At the Court Meeting, voting will be by way of poll and each Charter Court Shareholder present (and entitled to vote), in person or by proxy, will be entitled to one vote for each Charter Court Share held. In order for the resolution to be passed, it must be approved by a majority in number of Charter Court Shareholders representing not less than 75 per cent. in value of the voting rights of Charter Court Shareholders (other than holders of Excluded Shares) who are on the register of members of Charter Court at the Voting Record Time and who are present and voting (and entitled to vote), whether in person or by proxy, at the Court Meeting (and at any separate class meeting which may be required (or any adjournment thereof)).

10.5 The Charter Court General Meeting

The Charter Court General Meeting has been convened for 10.45 a.m. on 6 June 2019, or as soon thereafter as the Court Meeting has concluded or been adjourned, to consider and, if thought fit, pass the Charter Court Resolutions to:

- authorise the Charter Court Directors to effect the Scheme; and
- approve certain amendments to the Articles to ensure that, subject to the Scheme becoming Effective, any Charter Court Shares issued to any person (including any participant in the Charter Court Share Plans) (other than to OSB and/or its nominees) at or after the Scheme Record Time will be compulsorily acquired by, or to the order of, OSB, in consideration of (subject to certain terms and conditions) the issue of New OSB Shares and payment of cash consideration on the same basis as under the Scheme

The proposed amendments to the Charter Court Articles referred to above are set out in full in the Scheme Document.

At the Charter Court General Meeting, voting will be by way of poll and each Charter Court Shareholder present, in person or by proxy, will be entitled to one vote for each Charter Court Share held. In order for the Charter Court Resolutions to be passed, they must be approved by votes in favour representing at least 75 per cent., of the votes cast either in person or by proxy at the Charter Court General Meeting.

10.6 Scheme Sanction

Before the Scheme can become effective in accordance with its terms, the Court must sanction the Scheme at the Court Sanction Hearing and issue the Court Order. Charter Court will give adequate notice of the date and time of the Court Sanction Hearing, once known, by issuing an announcement through a Regulatory Information Service. The Court Sanction Hearing, in accordance with the Co-operation Agreement, is to be held on a date to be agreed in writing between Charter Court and OSB (acting reasonably in good faith) or otherwise set for a date no earlier than the earlier in time to occur of: (i) the date on which all the Conditions (other than the Scheme Condition) have been satisfied: and (ii) the date that is one month prior to the Longstop Date.

The Scheme will become effective on delivery of a copy of the Court Order to the Registrar of Companies.

Upon the Scheme becoming effective:

- it will be binding on all holders of Charter Court Shares (other than Excluded Shares) on the register of members of Charter Court at the Scheme Record Time irrespective of whether or not they attended the Charter Court Meetings or voted in favour of, or against, the Scheme at the Court Meeting and/or the Charter Court Resolutions at the Charter Court General Meeting;
- share certificates in respect of Charter Court Shares will cease to be valid and every Charter Court Shareholder shall be bound at the request of Charter Court to deliver up their share certificate(s) to Charter Court (or any person appointed by Charter Court to receive the same) or to destroy the same; and
- entitlements to Charter Court Shares held within the CREST system will be cancelled.

The Charter Court Shares will be acquired fully paid and free from all liens, charges, equitable interests, encumbrances and rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto.

If the Scheme does not become effective in accordance with its terms on or before the Longstop Date, it will lapse and the Combination will not proceed (unless the Panel (and, if applicable, the Court) otherwise consents).

The Scheme is governed by English law and is subject to the jurisdiction of the courts of England and Wales. The Scheme is also subject to the applicable requirements of the City Code, the Panel, the Listing Rules, the London Stock Exchange, the FCA and the Registrar of Companies.

10.7 Modifications to the Scheme

The Scheme contains a provision for Charter Court and OSB to consent jointly on behalf of all persons concerned, to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or addition to, or impose a condition on, the Scheme which might be material to the interests of Charter Court Shareholders unless Charter Court Shareholders were informed of such modification, addition or condition and given the opportunity to vote on that basis. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Charter Court Shareholders (and any separate class meeting(s)) should be held in these circumstances.

10.8 Fractional entitlements

Fractions of New OSB Shares will not be allotted or issued to Charter Court Shareholders pursuant to the Scheme. Instead, the fractional entitlements of Scheme Shareholders at the Scheme Effective Time to New OSB Shares shall be aggregated and OSB shall procure that the maximum whole number of New OSB Shares resulting therefrom shall be allotted and issued to a person appointed by OSB to hold such New OSB Shares on behalf of the relevant Scheme Shareholders. OSB shall procure that such New OSB Shares are sold in the market as soon as practicable after the Scheme Effective Time and that the net proceeds of sale (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on the proceeds of sale) shall be paid in due proportion to the relevant Scheme Shareholders (rounded down to the nearest penny) in accordance with the provisions of the Scheme. However, fractional entitlements to amounts (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on the proceeds of sale) of £1.00 or less shall not be paid to the relevant Scheme Shareholders who would otherwise be entitled to them under the Combination, but shall be retained for the benefit of OSB.

11. 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.

11.1 Treatment of existing awards

Awards under the Charter Court Performance Share Plan 2017 will, to the extent not already vested and in accordance with the rules of the plan, vest and become exercisable on the date on which the Court sanctions the Scheme. Awards granted in 2017 will become capable of vesting to the full extent determined by the applicable performance conditions (as determined by the Charter Court Remuneration Committee), without reduction for time. A time-based proportion of Awards granted in 2018 and 2019 will become capable of vesting, on the basis of an agreed time-based proportion of 2/3rds for awards granted in 2018 and on the basis of the proportion of the normal vesting period elapsed to the date of the Court Sanction Hearing for awards granted in 2019. The extent to which that proportion of these Awards will vest will be determined by the applicable performance conditions (as determined by the Charter Court Remuneration Committee).

Awards granted in 2019 under the Charter Court Deferred Bonus Plan 2017 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 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.

11.2 Continuation of PSP awards

OSB has agreed that the portion of awards granted in 2018 and 2019 under the Charter Court Performance Share Plan 2017 that will not be capable of vesting due to time pro rating at the time of the sanction of the Scheme by the Court (being one third of such awards granted in 2018, and the relevant proportion for awards granted in 2019 being dependent on the date of the Court Sanction Hearing) 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 2019 respectively. In the event of a need to apply time pro-rating to such awards (such as in the event of a good leaver), the pro-rating of the awards granted in replacement of awards granted in 2018 will be assessed by reference to the period of one year from the date the Scheme becomes effective (and by reference to the remainder of the applicable performance period in the case of awards granted in replacement of awards granted in 2019).

12. THE NEW OSB SHARES

Subject to the Scheme becoming effective in accordance with its terms, Charter Court Shareholders (other than Restricted Overseas Persons) on the register of members of Charter Court at the Scheme Record Time will be entitled to receive 0.8253 New OSB Shares for each Scheme Share held.

The New OSB Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

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 Scheme, including in relation to the right to receive notice of, and to attend and vote at, general meetings of OSB, the right to receive and retain any dividends and other distributions declared, made or paid by reference to a record date falling on or after the Effective Date, and to the right to participate in the assets of OSB upon a winding-up of OSB.

The New OSB Shares will be issued free from all liens, charges, encumbrances and other third party rights and/or interests of any nature whatsoever.

13. DELISTING OF CHARTER COURT SHARES

It is intended that the last time for dealing in Charter Court Shares on the London Stock Exchange will be 4.30 p.m. on the first Business Day following the Scheme Court Sanction Hearing, such that no transfers of Charter Court Shares will be registered after 6.00 p.m. on that date. It is intended that dealings in Charter Court Shares on the London Stock Exchange will be formally suspended before markets open on the second Business Day following the Scheme Court Sanction Hearing.

It is further intended that, before the Scheme becomes effective in accordance with its terms, an application will be made by Charter Court 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 to take effect shortly after the Effective Date (subject to the Scheme becoming effective).

On the Effective Date, Charter Court will become a wholly owned subsidiary of OSB and share certificates in respect of Charter Court Shares will cease to be valid. In addition, entitlements to the Charter Court Shares held within the CREST system will be disabled from the Scheme Record Time and expired and removed soon thereafter.

14. LISTING, DEALINGS AND SETTLEMENT OF THE NEW OSB SHARES

Before the Combination completes, applications will be made to the London Stock Exchange for the New OSB Shares to be admitted to trading on its Main Market for listed securities and to the FCA for the New OSB Shares to be admitted to the premium-listing segment of the Official List.

It is expected that the New OSB Shares will be admitted to trading on the London Stock Exchange by 8.00 a.m. on the first Business Day following the Effective Date and dealings for normal settlement in the New OSB Shares will commence at, or shortly after, that time.

No application has been made, or is currently intended to be made, by OSB for the New OSB Shares to be admitted to listing or trading on any other exchange.

15. 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 as at the Latest Practicable Date. 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 as at the Latest Practicable Date.

Charter Court has received irrevocable undertakings from the OSB Directors who hold OSB Shares to vote in favour of the OSB Resolution at the OSB General Meeting in respect of a total of 1,203,775 OSB

Shares representing, in aggregate, approximately 0.49 per cent. of the ordinary issued share capital of OSB as at the Latest Practicable Date. Charter Court has also received a letter of intent from Merian to vote in favour of the OSB Resolution to be proposed at the OSB General Meeting in respect of a total of 28,755,206 OSB Shares representing, in aggregate, approximately 11.73 per cent. of OSB's issued share capital as at the Latest Practicable Date.

16. DILUTION

Following completion of the Combination, the issue and allotment of the New OSB Shares will result in OSB's issued ordinary share capital increasing by 82 per cent. relative to the number of OSB Shares in issue as at the Latest Practicable Date. Immediately following completion of the Combination, former Charter Court Shareholders will own approximately 45 per cent. of the issued ordinary 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).³

17. OSB GENERAL MEETING AND THE OSB RESOLUTION

As described in paragraph 10.2 of this Part I, the Scheme is conditional on, among other things, OSB Shareholders passing the OSB Resolution at the OSB General Meeting. The OSB Resolution authorises:

- the approval of the Combination as a "Class 1 transaction" under the Listing Rules;
- the OSB Directors to implement the Combination; and
- the OSB Directors to allot the New OSB Shares up to an aggregate nominal amount of £2,021,655.02.

The OSB General Meeting will be held at 10.00 a.m. on 6 June 2019.

The authority to allot the New OSB Shares represents approximately 82 per cent. of the total issued ordinary share capital of OSB as at the Latest Practicable Date (as at the Latest Practicable Date, OSB did not hold any shares in treasury). The passing of the OSB Resolution requires more than 50 per cent. of the votes cast in respect of the OSB Resolution to be in favour of it. If the OSB Resolution is passed, this authority will expire at the conclusion of the annual general meeting of OSB to be held in 2021 (unless previously revoked, renewed, varied or extended).

The full text of the OSB Resolution and other matters is set out in the Notice of General Meeting attached to this document. If the OSB Resolution is not passed, the Scheme will not proceed.

18. ACTION TO BE TAKEN

OSB is seeking approval of the Combination at the OSB General Meeting. The OSB General Meeting is to be held at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY at 10.00 a.m. on 6 June 2019.

Your support is important to us. Please vote on the OSB Resolution. Please read the notes to the Notice of General Meeting attached at pages 62 and 63 of this document for an explanation of how to attend and vote at the OSB General Meeting, including how to appoint a proxy to attend and vote on your behalf.

Whether or not you intend to attend the OSB General Meeting in person, you are asked to complete, sign and return the OSB Form of Proxy that accompanies this document (or appoint a proxy, electronically, as referred to below) in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by the Registrar not later than 10.00 a.m. on 4 June 2019 (or, if the OSB General Meeting is adjourned, not later than 48 hours before the time appointed for the adjourned meeting). If you hold OSB Shares in CREST, you may appoint a proxy through the CREST electronic proxy appointment service by completing and transmitting a CREST proxy instruction to the Registrar, Equiniti (under CREST participant ID RA19), so that it is received no later than 10.00 a.m. on 4 June 2019. If you would like to submit your proxy vote electronically, you can do so by

³ Please see paragraph 7 of Part VI (Additional Information) for details of how the dilution statistics are calculated.

visiting www.sharevote.co.uk. You will need to enter the Voting ID, Task ID and Shareholder Reference Number printed on the OSB Form of Proxy and follow the online instructions. The deadline for receipt of electronic proxies is 10.00 a.m. on 4 June 2019.

The return of a completed OSB Form of Proxy or the appointment of a proxy electronically or through CREST will not preclude you from attending, speaking and voting at the OSB General Meeting in person if you are entitled and wish to do so.

If you have any questions about this document or the OSB General Meeting, or are in any doubt how to complete the Form of Proxy, please call Equiniti between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0371 384 2050 (if calling from within the UK) or +44 121 415 0259 (if calling from outside the UK). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones. Please note that calls may be monitored or recorded and Equiniti cannot provide legal, tax or financial advice or advice on the merits of the Combination.

19. FURTHER INFORMATION

Your attention is drawn to the further information set out in Parts II (Risk Factors) to VI (Additional Information) of this document. In particular, OSB Shareholders should consider fully the risk factors associated with the Combined Group and the Combination, which are set out in Part II (Risk Factors).

20. FINANCIAL ADVICE

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

21. RECOMMENDATION

The Combination constitutes a Class 1 transaction for OSB under 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 recommend unanimously that OSB Shareholders vote in favour of the OSB Resolution at the OSB General Meeting, as the OSB Directors intend to do in respect of their own beneficial holdings of 1,203,775 OSB Shares, representing approximately 0.49 per cent. of OSB's existing ordinary share capital at the Latest Practicable Date.

Yours sincerely,

David Weymouth
Chairman of OneSavings Bank plc

PART II

RISK FACTORS

Before making any decision to vote in favour of the OSB Resolution at the OSB General Meeting, OSB Shareholders should consider the factors and the risks associated with the Combination and, in the case of the Combined Group, the business and the industry in which it will operate, together with all other information contained in this document including, in particular, the risk factors described below. The risks disclosed are those that: (i) are material risks to the Combination; (ii) will be material new risks to the Combined Group as a result of the Combination; and/or (iii) are existing material risks for the OSB Group that will be affected by the Combination. Because a significant part of the OSB Group's and the Charter Court Group's operations are similar in nature, some of the risks set out below (not including those specific to the Combination) will not be new risks that arise only on completion of the Combination, but will be existing material risks whose potential effect may be increased as a result of the Combination.

There are other risks relating to the OSB Group and the OSB Shares that are not within the scope of risk categories outlined above, and such risks can be found in the Prospectus.

The following is not an exhaustive list or explanation of all the risks that may affect the OSB Shares, the OSB Group and the Combined Group and should be used as guidance only. Additional risks and uncertainties relating to the OSB Shares, the OSB Group and the Combined Group that are not currently known to the OSB Directors, or that the OSB Directors currently deem immaterial, may, individually or cumulatively, also have a material adverse effect on the business, results of operations, financial condition and/or prospects of the OSB Group and the Combined Group, and, if any such risk should materialise, the price of the OSB Shares may decline and investors could lose all or part of their investment.

The order in which the following risk factors are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the relative magnitude or significance of their potential adverse effect or of the scope of any potential harm to the OSB Group's, and/or the Combined Group's business, results of operations, financial condition and/or prospects or the market price of the OSB Shares.

1. PART A: MATERIAL RISKS RELATED TO THE COMBINATION AND MATERIAL NEW RISKS TO THE OSB GROUP OR THE CHARTER COURT GROUP AS A RESULT OF THE COMBINATION

1.1 Completion of the Combination is subject to a number of Conditions which may not be satisfied or waived or which may be satisfied subject to conditions imposed by regulatory bodies or other third parties and may result in the completion of the Combination being delayed, the Combination not completing, or the OSB Group or the Charter Court Group being required to divest assets or be subject to some other adverse impact in order to satisfy any such conditions so imposed.

The Scheme is subject to the Conditions and further terms and conditions set out in the Scheme Document. These Conditions include, among other things:

- 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;
- 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:
 - 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

- being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of or increase in control;
- the Charter Court General Meeting and the Court Meeting being held no later than 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);
- 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;
- the OSB Resolution being passed by the requisite majority of OSB Shareholders at the OSB General Meeting;
- 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;
- the Scheme becoming effective by the Longstop Date; and
- Admission becoming effective.

There is no guarantee that the Conditions will be satisfied (or waived, if applicable) in the necessary time frame and the Combination may, therefore, be delayed or not completed. Delay in completing the Combination will prolong the period of uncertainty for the OSB Group and the Charter Court Group and both delay and failure to complete may result in the accrual of additional costs to their businesses (for example, there may be an increase in costs in relation to the preparation and issue of documentation or other elements of the planning and implementation of the Combination) without any of the potential benefits of the Combination having been achieved. In addition, OSB's and Charter Court's management will have spent time in connection with the Combination, which could otherwise have been spent more productively in connection with the other activities of the OSB Group and the Charter Court Group, as applicable. Therefore, the consequences of a material delay in completing or failure to complete the Combination, when taken in aggregate, may have a material adverse effect on the business, results of operations, financial condition and/or prospects of the OSB Group, the Charter Court Group and, in the case of a delay only, the Combined Group.

OSB's ability to invoke a Condition (other than certain antitrust clearances and Scheme-related conditions) to the Combination to either lapse the Combination or to delay the Combination beyond the Longstop Date is subject to the Panel's consent. The Panel will need to be satisfied that the underlying circumstances are of "material significance" to OSB in the context of the Combination and this is a high threshold to meet. Consequently, there is a significant risk that OSB may be required to complete the Combination even where certain Conditions have not been satisfied or where a material adverse change has occurred to the Charter Court Group.

Charter Court's ability to invoke a Condition (if applicable) to the Combination to either lapse the Combination or to delay the Combination beyond the Longstop Date is subject to the Panel's consent. The Panel will need to be satisfied that the underlying circumstances are of "material significance" to Charter Court in the context of the Combination and this is a high threshold to meet. Consequently, there is a significant risk that Charter Court may be required to complete the Combination even where certain Conditions have not been satisfied or where a material adverse change has occurred to the OSB Group.

It may also be the case that certain Conditions may only be satisfied subject to conditions or undertakings.

OSB recognises that it may need to offer or commit to remedies in order to obtain the relevant clearances from the relevant competition authorities (including the CMA), but it does not currently

anticipate having to do so. Such additional remedies could include (but not be limited to) commitments by OSB to divest (if the Combination completes) or not to acquire in the first place, part of the business or certain assets of the Charter Court Group. The implementation of any such additional remedies may result in additional costs and/or delay or the failure (partial or otherwise) to realise the synergies relating to the Combination identified by the parties or may otherwise impact the Combined Group's strategy and operations.

In addition, OSB recognises that, in granting their approvals, regulatory authorities have discretion to impose conditions and restrictions to their consent which could result in a delay in completion of, or a decision not to complete, the Combination or could have a material adverse effect on the business and results of operations of the Combined Group following Completion. Moreover, the imposition of any such conditions and restrictions may result in additional costs and/or delay or the failure (partial or otherwise) to realise the synergies relating to the Combination identified by the parties or may otherwise impact the Combined Group's strategy and operations.

If any of the events described above were to occur, they may result in additional costs and/or the delay or the failure (partial or otherwise) to realise the synergies relating to the Combination identified by the parties or may otherwise impact the Combined Group's strategy and operations.

Proceeding to complete the Combination without particular clearances and consents from third parties, which may include governments, regulators, associates and commercial counterparties, may impact the Combined Group's future strategy and operations, may result in the imposition of penalties, fines and other criminal and civil sanctions, the termination or variation of contracts and, potentially, the loss of assets and may cause damage to the Combined Group's reputation and business relationships with governments, regulators and counterparties. If these events were to occur, there may be a material adverse effect on the business, results of operations, financial condition and/or prospects of the Combined Group and the market price of the OSB Shares.

1.2 The Combined Group's success will be dependent upon its ability to integrate the OSB Group and the Charter Court Group and deliver the value of the combined underlying businesses; the financial benefits and synergies expected from the Combination may not be fully achieved.

The Combined Group's future prospects will, in part, be dependent upon the Combined Group's ability to integrate the OSB Group and the Charter Court Group successfully and completely, without disruption to the existing business.

While the OSB Directors believe that the synergies of the Combination have been reasonably estimated, unanticipated events, liabilities, tax impacts or unknown pre-existing issues may arise or become apparent which could result in the costs of integration being higher and the realisable benefits/synergies being lower than expected, resulting in a material adverse effect on the business, results of operations, financial condition and/or prospects of the Combined Group and the market price of the OSB Shares. No assurance can be given that the integration process will deliver all or substantially all of the expected benefits within the assumed time frame.

The Combined Group will face numerous challenges when integrating the business, including, among others, retaining key contracts, harmonising ways of working, realising synergies, standardising policies and procedures, processes and systems, aligning shared values and retaining key employees of the Combined Group and the corporate memory of the Charter Court Group. If the Combined Group does not properly manage these challenges, they may affect the effective running of the business in the ordinary course and the efficient allocation, including redeployment, of resources in the Combined Group.

Further, during the integration period, the Combined Group may not be in a position to acquire other companies or businesses that it might otherwise have sought to acquire. In view of the demands that the integration process may have on management time, it may also cause a delay in other projects currently contemplated by the OSB Group and/or the Charter Court Group.

1.3 The prospect of Completion could cause disruptions in the businesses of the OSB Group and/or the Charter Court Group, which could have material adverse effects on their business, financial condition, results of operations and prospects, as well as on the business, financial condition, results of operations and prospects of the Combined Group and the market price of the OSB Shares.

The prospect of Completion could cause disruptions in the businesses of the OSB Group and that of the Charter Court Group. For example, either or both the OSB Group's or the Charter Court Group's current and prospective customers may, in response to the announcement of the Offer, terminate, change or defer their custom; any such termination, change or deferral by current and prospective customers could materially and adversely affect the revenues, profits of the OSB Group or the Charter Court Group and/or any expected growth in revenues. Furthermore, both during the Offer process and if the Offer is completed, some current and prospective employees of the OSB Group or the Charter Court Group may experience uncertainty about their future roles within the Combined Group, which may adversely affect the OSB Group's and the Charter Court Group's abilities to retain or recruit key managers and other employees. Also, market reaction to and/or speculation regarding the likelihood of Completion could increase the volatility of the price of OSB Shares and Charter Court Shares.

If the OSB Group and the Charter Court Group fail to manage these risks effectively, the business and financial results of the OSB Group, the Charter Court Group and the Combined Group could be adversely affected. The OSB Group may incur higher than expected transaction and Offer-related costs. OSB will incur legal, accounting and transaction fees and other costs related to the Offer, which are expected to amount to approximately £16.5 million (excluding VAT and stamp duty), in aggregate. Some of these costs are payable regardless of whether the Offer is completed, and such costs may be higher than expected.

1.4 The uncertainties about the effects of the Combination could have a materially adverse effect on the OSB Group, the Charter Court Group, and, if the Combination completes, the Combined Group.

Uncertainty about the effects of the Combination, including effects on employees, host governments, partners, competitors, contractors, regulators (including the uncertainty about the quantum, cost and timing of the Combined Group's MREL requirements as mentioned in paragraph 1.7 of this Part II), suppliers and customers, may have a material adverse effect on the business, results of operations, financial condition and/or prospects of the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group and the market price of the OSB Shares and the New OSB Shares. These uncertainties could cause parties that have business or other relationships with the OSB Group or the Charter Court Group to defer the consummation of other transactions or other decisions concerning the business of the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group or to seek to change their existing business or other relationships with the OSB Group or the Charter Court Group. In addition, if the Combination completes, there is also a risk that some current and prospective employees may experience uncertainty about their future roles within the Combined Group, which may adversely affect the Combined Group's ability to retain or recruit key managers and other employees. The Combined Group will need to take action to prevent or minimise any detrimental impact of the Combination and the integration process on its relationships with employees, host governments, partners, contractors, regulators, suppliers and customers of the OSB Group and the Charter Court Group, to avoid such a material adverse effect.

1.5 Current OSB Shareholders and former Charter Court Shareholders will own a smaller percentage of OSB, if the Combination completes, than they currently own of OSB and Charter Court, respectively.

If the Combination completes, the existing OSB Shareholders and the former Charter Court Shareholders will own a smaller percentage of OSB than they currently own of OSB and Charter Court, respectively. As a result, the shareholder base and the related holdings of individual shareholders of the Combined Group may be different to the shareholder bases and the related holdings of individual shareholders of OSB and Charter Court on a standalone basis. Assuming there are no other issues of OSB Shares or Charter Court Shares between the Latest Practicable Date and the date of Admission and that 202,165,502 New OSB Shares are issued, the existing

OSB Shareholders and former Charter Court Shareholders will own approximately 55 per cent. and 45 per cent., respectively, of the outstanding OSB Shares. As a consequence, the proportion of voting rights which can be exercised and the influence which may be exerted by them in respect of the Combined Group will be reduced.

1.6 Change of control provisions in the OSB Group's and the Charter Court Group's agreements may be triggered upon Completion and may lead to adverse consequences.

The OSB Group and the Charter Court Group are party to contracts, agreements and instruments that contain change of control provisions that may be triggered upon Completion. Usually, these provisions, if any, may be waived with the consent of the other party, and the OSB Group and Charter Court Group will consider whether they will seek such waivers. In the absence of these waivers, the operation of the change of control provisions, if any, could result in the loss of significant contractual rights and benefits, the termination of significant agreements or the payment of a termination fee. In addition, employment agreements or other employee benefit arrangements with the OSB Group's and the Charter Court Group's employees may contain change of control provisions providing for additional payments following a change of control.

1.7 If the Combination completes, the Combined Group is expected to be subject to MREL requirements, the full quantum, cost and timing of which is uncertain.

With the implementation of the BRRD in the UK, UK banks are required to meet at all times minimum requirements for own funds and eligible liabilities ("MREL"). There is no common level of MREL applicable to all or a category of institutions; it is an institution-specific requirement. The relevant resolution authority (which will be the Bank of England for the Combined Group) is required to make a separate determination on a case-by-case basis of the appropriate MREL requirement for each resolution group within its jurisdiction, taking into account certain specified criteria, including the resolvability, resolution strategy, risk profile, systemic importance and other characteristics of each institution (such as its business and funding models), after consultation with the relevant supervisory authorities (which will be the PRA and the FCA for the Combined Group). These rules are designed to ensure relevant institutions have sufficient loss absorbing capacity to ensure continuity of critical functions without making recourse to public funds and to facilitate the use of the bail-in tool in a resolution scenario.

The Bank of England sets MREL for all UK banks and MREL must be set on both an individual bank and group consolidated basis. Generally, for smaller banks that would be subject to modified insolvency if they failed, the MREL requirement can be met by achievement of their minimum regulatory capital requirements as a going concern, while larger banks with a resolution strategy involving the use of bail-in or partial transfer tools are required to hold additional resources. The Bank of England may also set MREL for other relevant entities in a resolution group. Resolution authorities are permitted to determine an appropriate transition period for achievement of any MREL requirement; this should be as short as possible. MREL is set annually on a case-by-case basis by the Bank of England and the deadline for existing UK bail-in resolution entities to meet their end-state MREL requirement is currently 1 January 2022, subject to review by the end of 2020. The Bank of England is also setting certain interim MREL requirements for such entities as part of their progress towards the end-state MREL requirements.

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 size of the Combined Group's balance sheet. Therefore, the Combination is expected to accelerate the MREL requirements for OSB and Charter Court as while both companies would have become subject to MREL requirements in the medium term, based on their historical growth rates, the Combination is likely to result in those requirements applying earlier than would otherwise have been the case. The Combined Group's MREL requirements will depend on a number of factors, including (but not limited to) changes to OSB and Charter Court and their balance sheets, the preferred resolution strategy applicable to OSB and Charter Court and any change in PRA or international policy that alters the ways risk weighted assets or the exposure measure of the leverage ratio (should it become applicable) are assessed. The transition period for the Combined Group to achieve its end-state MREL requirement is expected to be at least 36 months following completion of the Combination. However, the Combined Group's, interim

and end-state MREL requirements and appropriate transitional period to reach its end-state MREL requirement will be determined by the Bank of England and, while OSB intends to confirm its expectations with the Bank of England in due course, there cannot be certainty at this stage about the size or timing of such requirements. The Bank of England has stated that the end-state external MREL requirements for non-systemic UK resolution entities will be the higher of: (i) two times the sum of Pillar 1 and Pillar 2A (i.e. $2 \times (\text{Pillar 1} + \text{Pillar 2A})$); or (ii) if subject to a leverage ratio requirement, two times the applicable requirement (i.e. 6.5 per cent. if the leverage ratio is 3.25 per cent.) and, from 1 January 2020, the same entities will be required to maintain MREL equal to 18 per cent. of risk weighted assets as an interim MREL requirement. The Bank of England has also published average indicative 2020 and 2022 MREL requirements for certain non-systemic UK banks. However, MREL is an institution-specific requirement, the Bank of England is not bound by those indicative requirements and the Bank of England has confirmed that, before the end of 2020, it will be reviewing the calibration of MREL prior to setting end-state MRELS, taking into account intervening changes in the UK regulatory framework and institutions' experience in issuing liabilities to meet their interim MREL requirements. Consequently, the MREL requirements for the Combined Group cannot be definitively determined from this information.

The Combined Group intends to undertake a reorganisation to establish a new ultimate holding company for the Combined Group in due course following completion of the Combination, subject to the receipt of the necessary regulatory approvals to facilitate the issuance of MREL-qualifying debt instruments and compliance with the Combined Group's expected MREL requirement. The Combined Group will also need to confirm and execute its strategy to achieve MREL requirements by the deadlines set by the Bank of England.

The cost of MREL for the Combined Group and the successful execution of its MREL strategy (for example, the issuance of MREL-qualifying debt instruments) will depend on, amongst other things, market conditions over which the Combined Group will not have control.

Consequently, it is difficult to predict the full effect the introduction of interim and end-state MREL requirements may have on the Combined Group until they have been fully implemented. Compliance with MREL may delay, limit or restrict the execution of the Combined Group's strategy and may have a material adverse effect on the Combined Group's capital structure, business, financial condition and results of operations, and may increase compliance costs. MREL is expected to continue to have an impact across the market, and there is a risk that the relative impact may give rise to a reduction in competitiveness of the Combined Group.

Further amendments to the MREL regime are expected as a result of current EU legislative proposals. However, there is no certainty as to whether or when these proposals will be implemented in the UK.

2. PART B: EXISTING MATERIAL RISKS TO THE OSB GROUP OR THE CHARTER COURT GROUP THAT WILL BE AFFECTED BY THE COMBINATION

2.1 The OSB Group and the Charter Court Group are and, if the Combination completes, the Combined Group will be exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events.

The OSB Group's and the Charter Court Group's businesses are and, if the Combination completes, the Combined Group's business will be exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events. Operational risks are inherent in the day-to-day operational activities of the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group, which may result in direct or indirect losses and could adversely impact the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's business, results of operations, financial condition and/or prospects and the market price of the OSB Shares. These losses may result from both internal and external events, and risks. Internal risks include, but are not limited to, process error or failure, inadequate process design, poor product development and maintenance, poor change management, ageing infrastructure and systems, system failure, failure of security and physical protection (including the health and safety of employees), fraud,

deficiencies in employees' skills and performance or human error, or other idiosyncratic components of operational risk that are related to the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's particular size, nature and complexity. External events include, but are not limited to, operational failures by third-party providers (including offshored and outsourced providers), actual or attempted external IT security breaches from parties with criminal or malicious intent, natural disasters, extreme weather events, political, security and social events and failings in the financial services industry. The OSB Group and the Charter Court Group are and, if the Combination completes, the Combined Group will be, exposed to extreme but plausible events that are unpredictable and may result in a material or systemic loss, business interruption or significant reputational damage. Operational risks may be increased as a direct consequence of the process of integrating the Charter Court Group into the Combined Group, in particular, due to problems with migrating data, systems (such as IT systems) or processes.

The OSB Group and the Charter Court Group are and, if the Combination completes, the Combined Group will be dependent on their information systems and technology from a system stability, data quality and information security perspective. The OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group are also dependent on payments systems and technology that interface with wider industry infrastructure; for example, the OSB Group and the Charter Court Group are, and, if the Combination completes, the Combined Group, in common with other banks, will be dependent on various industry payment systems and schemes (including Clearing House Automated Payment System or CHAPS, Bankers Automated Clearing System or BACS, Faster Payments Service or FPS and Society for Worldwide Interbank Financial Telecommunication or SWIFT) for making payments between different financial institutions on behalf of customers. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes, or be adequately protected) could adversely impact the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's ability to conduct their daily operations and their business, results of operations, financial condition and/or prospects.

In addition, financial models are used extensively in the conduct of the OSB Group's and the Charter Court Group's businesses; for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions and judgements, this may adversely affect the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's business, results of operations, financial condition and/or prospects and the market price of the OSB Shares.

The OSB Group and, if the Combination completes, the Combined Group may look to implement new operational processes and systems to assist in responding to market developments, such as the move towards "Open Banking" which is designed to enable personal customers and small businesses to share their data securely with other banks and with third parties, allowing them to compare products on the basis of their own requirements and to manage their accounts without having to use their bank, or to reflect changes in regulations, such as the GDPR whereby the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group must be able to report at any time to the ICO all locations where personal identifiable information is stored (for example within systems and databases) and provide a justification of why such personal identifiable information is needed. Due to the scale and complexity of such projects, the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group may be required to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. Additionally, where changes are undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are magnified, which may impact the reputation and financial condition of the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

While the OSB Group and the Charter Court Group have operational resilience, IT disaster recovery and business continuity contingency plans in place, these are not, and are not intended

to be, a full duplication of their operational systems and premises. Additionally, the OSB Group and the Charter Court Group are and, if the Combination completes, the Combined Group, will be exposed to risks associated with an increase in the cost or lack of available insurance provision for the Combined Group (including any run off policies), which could have an adverse impact on profitability. The occurrence of a serious disaster resulting in interruptions, delays, the loss or corruption of data or the cessation of the availability of systems or premises could have a material adverse effect on the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group' business, results of operations, financial condition and/or prospects. Any actual or perceived inadequacies, weaknesses or failures in the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group systems or processes could have a material adverse effect on their business, results of operations, financial condition and/or prospects.

2.2 The OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group may be exposed to losses if critical accounting judgements or estimates are subsequently found to be incorrect or inaccurate.

The preparation of the OSB Group's and the Charter Court Group's financial statements requires management to make estimates and assumptions and to exercise judgement in selecting and applying relevant accounting policies, each of which may directly affect the reported amounts of assets, liabilities, income and expenses, to ensure compliance with IFRS. Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include (but are not limited to) financial assets and liabilities at fair value through profit or loss, impairment provisions on credit exposures, deferred tax, conduct related matters, retirement benefit obligations and effective interest rate assumptions.

If the judgements, estimates and assumptions used by the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group in preparing their consolidated financial statements are subsequently found to be incorrect there could be a significant loss to them beyond that expected or provided for or an adjustment to those consolidated financial statements, which could have a material adverse effect on the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's business, results of operations, financial condition and/or prospects and the market price of the OSB Shares.

2.3 The OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group are exposed to risks associated with cyber-enabled crime and fraud.

The OSB Group and the Charter Court Group are, and, if the Combination completes, the Combined Group will be, subject to the risk of actual or attempted IT security breaches from parties with criminal or malicious intent. Should their intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur in a system for which there is no duplication, there may be a material adverse effect on their business, results of operations, financial condition and/or prospects and the market price of the OSB Shares.

The OSB Group and the Charter Court Group continue to invest in their information security controls in response to emerging threats, such as cyber-enabled crime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group and the UK financial system, which has a high degree of interconnectedness among market participants, centralised market infrastructure and in some cases complex legacy IT systems. The OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group cannot be certain that their infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in significant financial losses and a material adverse effect on the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's operational performance and reputation. The OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group's strategy to increase their digital presence may expose the OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group to increased risks associated with cyber-enabled crime and fraud.

Any breach in security of the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's systems, for example from increasingly sophisticated attacks by cyber-crime groups or fraudulent activity in connection with customer accounts, could disrupt their business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage their reputation and/or brands.

2.4 The OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group may fail to attract or retain executives, senior managers or other key employees.

The OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's success depends on the continued service and performance of their key employees, particularly their executives and senior managers, and their ability to attract, retain and develop high-calibre talent. The OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group may not succeed in attracting new talent and retaining key personnel for a variety of reasons, including if they do not identify or engage with the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's brand and values, which represents a major component of their strategy, or they do not wish to be located or relocate to the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's key locations. The OSB Group and the Charter Court Group compete and, if the Combination completes, the Combined Group will compete for talented people with skills that are in relatively short supply and they may not have sufficient scale to offer employees rates of compensation or opportunities to advance within the organisation comparable with their larger competitors, particularly at more senior levels. The OSB Group, the Charter Court Group and, if the Combination completes, the Combined Group may also allocate resources improperly within their newly developed standalone functions or otherwise that could create operational inefficiencies and risks and/or lead to demotivated senior employees. Each of these factors could have an adverse effect on the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's ability to recruit new personnel and retain key employees, which could, in turn, adversely affect their businesses. In addition, external factors such as macroeconomic conditions, the regulatory environment developing to increase direct liabilities for bank employees, regulatory restrictions on incentivisation and/or continued negative media attention on the financial services industry may adversely affect employee retention, sentiment and engagement. Any failure to attract and retain key employees, including executives and senior managers, could have a material adverse effect on the OSB Group's, the Charter Court Group's and, if the Combination completes, the Combined Group's business, results of operations, financial condition and/or prospects and the market price of the OSB Shares.

There will be a period of uncertainty for individuals, and therefore an increased retention risk, during the pre-completion integration planning phase, during which both the OSB Group and the Charter Court Group continue to be bound by the strict requirements limiting its or their confirmation, communication or publication of the proposed post-Completion organisational structure, plans and potential effect on roles. Following the Completion, there may be other factors during the integration phase, until 'end state' model and synergies are achieved, that may also affect retention. Internal restructuring, transfer of employees under the Transfer of Undertakings (Protection of Employment) Regulations 2006 or measures arising from a transfer, collective consultation involving assessment and selection, cultural factors and leadership behaviour or other 'interim' arrangements, may all potentially affect the Combined Group's ability to retain key talent.

2.5 Any future issue of OSB Shares, including in connection with an offering, the conversion of AT1 Securities issued by the OSB Group including, if the Combination completes, any future acquisitions, any share incentive or share option plan or otherwise will further dilute the holdings of the then current OSB Shareholders and could adversely affect the market price of OSB Shares.

OSB may issue additional OSB Shares in the future for a number of reasons. Any such future issue will further dilute the holdings of the then current OSB Shareholders and could adversely affect the market price of OSB Shares.

Other than pursuant to the Combination, OSB has no current plans for an offering of OSB Shares. However, it is possible that OSB may decide to offer additional OSB Shares in the future either to raise capital or for other purposes. If the then current OSB Shareholders did not take up such an offer, or were not eligible to participate in such offer, their proportionate ownership and voting interests in OSB would be reduced.

The OSB Group has issued AT1 Securities. AT1 Securities issued by a company are subordinated obligations of that company but would rank ahead of the company's shares in any winding-up of that company. Any such securities issued include a provision whereby if the CET1 ratio (the core measure of a bank's financial strength from a regulator's point of view) of that company falls below a specified percentage, distributions accrued and unpaid on the AT1 Securities would be cancelled and converted into the company's shares (depending on the terms of the instrument issued). As a result, OSB's then existing shareholders could suffer dilution in their percentage ownership upon any conversion of convertible securities such as AT1 Securities or similar securities issued by the OSB Group into OSB Shares.

The OSB Group may also seek to raise financing to fund future acquisitions and other growth opportunities. OSB may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. OSB's then existing shareholders would suffer dilution in their percentage ownership if they did not participate, or were not eligible to participate in, any such issues pro rata to their existing holdings.

PART III

PRESENTATION OF INFORMATION

1. WEBSITE AND MEDIA INFORMATION

The contents of OSB's website (www.osb.co.uk) and Charter Court's website (www.chartercourtfsc.co.uk), the contents of any website accessible from hyperlinks on such websites or any other website referred to in this document do not form part of this document and OSB Shareholders should not rely on them.

Furthermore, OSB does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, or the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding the Combination, the OSB Group, the Charter Court Group and/or the Combined Group.

OSB, the OSB Directors, the OSB Group, Charter Court Group, Rothschild & Co, Barclays and other persons involved in the Combination make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

2. FORWARD LOOKING STATEMENTS

This document 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 that 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 document 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", "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 document 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 the 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 EU, the UK's exit from the EU 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 document.

All forward looking statements contained in this document 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 document. 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 document 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.

The statements above relating to forward looking statements should not be construed as a qualification on the opinion as to working capital set out in paragraph 4 of Part VI (Additional information).

3. NO FORECASTS OR ESTIMATES

Unless expressly stated otherwise, nothing in this document (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 document 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.

4. PRO FORMA FINANCIAL INFORMATION RELATING TO THE COMBINED GROUP

In this document, any reference to pro forma financial information is to information that has been extracted without material adjustment from the unaudited pro forma financial information contained in Part V (Unaudited Pro Forma Financial Information). The unaudited pro forma information consists of a pro forma income statement for the financial year ended 31 December 2018 and a net assets statement as at 31 December 2018 relating to the Combined Group. These have been prepared in accordance with Listing Rule 13.3.3R and in a manner consistent with the accounting policies and presentation adopted by the OSB Group in the 2018 OSB Annual Report and Accounts.

The unaudited pro forma financial information has been prepared for illustrative purposes only to illustrate the effect on the OSB Group's income statement and net asset statement of its acquisition of the Charter Court Group as if it had taken place on 1 January 2018, in the case of the income statement, and on 31 December 2018, in the case of the net assets statement. Because of its nature, the unaudited pro forma income statement and net assets statement address a hypothetical situation. They do not represent the OSB Group's actual financial position or results, or what the Combined Group's actual financial position or results would have been if the Combination had been completed on the dates indicated.

5. OTHER INFORMATION RELATING TO THE CHARTER COURT GROUP

This document contains information regarding the Charter Court Group, which has been incorporated by reference or accurately reproduced from the information provided to OSB by Charter Court for inclusion in this document or the Prospectus, the Charter Court 2018 Annual Report and Accounts, the Charter Court 2017 Annual Report and Accounts and the Charter Court 2016 Annual Report and Accounts. As far as OSB is aware and is able to ascertain from information published by Charter Court or otherwise provided to OSB by Charter Court, no facts have been omitted that would render the reproduced information inaccurate or misleading.

6. SYNERGIES

The estimated pre-tax cost synergies referred to in this document are unaudited and are based on analysis by OSB's management and on OSB's internal records and certain of Charter Court's internal records. Further information underlying the Quantified Financial Benefits Statement is contained in paragraph 3 of Part I (Letter from the Chair).

7. SOURCES OF FINANCIAL INFORMATION

Information on the sources and bases of certain information contained in this document is provided in paragraph 7 of Part VI (Additional Information).

8. DEFINED TERMS

The meanings of defined terms used in this document are set out in Part VII (Definitions).

PART IV

HISTORICAL FINANCIAL INFORMATION RELATING TO THE CHARTER COURT GROUP

The audited consolidated financial statements of Charter Court included in:

- (A) the Charter Court 2018 Annual Report and Accounts;
- (B) the Charter Court 2017 Annual Report and Accounts; and
- (C) the Charter Court 2016 Annual Report and Accounts,

together with the audit opinions thereon and notes thereto, are incorporated by reference into this document from Part B of Part XI (Financial information in relation to Charter Court and the Charter Court Group) of the Prospectus.

Each of these consolidated financial statements was prepared in accordance with IFRS. Each of the consolidated financial statements was audited by Deloitte LLP and the audit report for each such financial year was unqualified. Deloitte LLP, whose registered office is at 1 New Street Square, London EC4A 3HQ, is a member of the Institute of Chartered Accountants in England and Wales.

The audited consolidated financial statements of Charter Court have been prepared in a manner consistent with the accounting policies and presentation adopted by the OSB Group in relation to the audited consolidated financial statements of the OSB Group and, as a result, no material adjustment needs to be made to the audited consolidated financial statements of Charter Court to achieve consistency with the audited consolidated financial statements of the OSB Group.

PART V

UNAUDITED PRO FORMA FINANCIAL INFORMATION

PART A: UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE COMBINED GROUP

The unaudited pro forma income statement of the Combined Group has been prepared based on the consolidated income statement of OSB for the year ended 31 December 2018 and the consolidated income statement of Charter Court for the year ended 31 December 2018 to illustrate the effect on the income statement of OSB of the Combination as if it had taken place on 1 January 2018.

The unaudited pro forma statement of net assets of the Combined Group has been prepared based on the audited consolidated balance sheet of OSB as at 31 December 2018 and the audited consolidated balance sheet of Charter Court as at 31 December 2018 to illustrate the effect on the net assets of OSB of the Combination as if it had taken place on 31 December 2018.

The unaudited pro forma income statement of the Combined Group and the unaudited pro forma statement of net assets of the Combined Group together form the “**Unaudited Pro Forma Financial Information**”.

The Unaudited Pro Forma Financial Information set out in this Part V has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent OSB's or the Combined Group's actual financial position or results.

The Unaudited Pro Forma Financial Information has been prepared on a consistent basis with the accounting policies and presentation adopted by OSB in relation to the period ended 31 December 2018 on the basis of the notes set out below and in accordance with Annex II to the PD Regulation. The adjustments in the Unaudited Pro Forma Financial Information are expected to have a continuing impact on the Combined Group, unless stated otherwise.

Furthermore, the Unaudited Pro Forma Financial Information set out in this Part V does not constitute financial statements within the meaning of section 434 of the Companies Act.

In addition to the matters noted above, the Unaudited Pro Forma Financial Information does not reflect the effect of anticipated synergies and efficiencies associated with the Combination.

Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part V. KPMG's report on the Unaudited Pro Forma Financial Information is set out in Part B of this Part V.

1. UNAUDITED PRO FORMA INCOME STATEMENT RELATING TO THE COMBINED GROUP

The table below sets out the unaudited pro forma income statement relating to the Combined Group for the year ended 31 December 2018.

	Adjustments				Combined Group Pro forma (£m)
	Charter Court OSB for the year ended 31 December 2018 (£m)	Charter Court for the year ended 31 December 2018 (£m)	Adjustments to conform disclosures (£m)	Combination with Charter Court (£m)	
	Note 1	Note 2	Note 3	Note 4	
Interest receivable and similar income	407.9	275.5	–	–	683.4
Interest payable and similar charges	(120.6)	(95.0)	–	–	(215.6)
Net interest income	287.3	180.5	–	–	467.8
Fair value gains/(losses) on financial instruments	(5.1)	–	–	–	(5.1)
Non-interest income	–	8.0	(7.4)	–	0.6
Loss on sale of financial instruments	(0.1)	–	–	–	(0.1)
Fees and commissions receivable	1.7	–	7.4	–	9.1
Fees and commissions payable	(1.1)	–	–	–	(1.1)
External servicing fees	(0.6)	–	–	–	(0.6)
Gain on sale of loans	–	36.4	–	–	36.4
Total income	282.1	224.9	–	–	507.0
Administrative expenses	(74.9)	(64.6)	0.9	0.2	(138.4)
Depreciation and amortisation	(4.7)	–	(0.8)	–	(5.5)
Impairment losses	(8.1)	(2.1)	–	–	(10.2)
FSCS and other regulatory provisions	(0.8)	–	(0.1)	–	(0.9)
Exceptional fair value loss on Heritable option	(9.8)	–	–	–	(9.8)
Exceptional transaction costs	–	–	–	(33.6)	(33.6)
Profit before tax	183.8	158.2	–	(33.4)	308.6
Taxation	(43.5)	(37.4)	–	–	(80.9)
Profit for the year	140.3	120.8	–	(33.4)	227.7

Notes

- (1) The figures for OSB have been extracted without adjustment from the audited financial statements of OSB for the year ended 31 December 2018 incorporated by reference into this document from Part IX (Financial information in relation to OSB and the OSB Group) of the Prospectus.
- (2) The figures for Charter Court have been extracted without adjustment from the audited financial statements of Charter Court for the year ended 31 December 2018 incorporated by reference into this document from Part IX (Financial information in relation to OSB and the OSB Group) of the Prospectus.
- (3) This column reflects the following reclassifications to align the presentation of Charter Court's income statement to that of OSB:
 - (i) OSB discloses 'Mortgage administration income' and 'Mortgage administration fees' within 'Fees and commissions receivable' whereas Charter Court discloses such items in 'Non-interest income'. This resulted in a £7.4 million reclassification between the aforementioned line items.

- (ii) OSB discloses 'Depreciation and amortisation' separately in its income statement whereas Charter Court includes these charges within 'Administrative expenses'. This resulted in a £0.8 million reclassification between the aforementioned line items.
 - (iii) OSB discloses movements in FSCS and other regulatory provisions in a separate line item whereas Charter Court discloses these within 'Administrative expenses'. This resulted in a £0.1 million reclassification between the aforementioned line items.
- (4) This column reflects an adjustment of £33.6 million within the line item 'Exceptional transaction costs' representing an estimate of the transaction costs to be incurred on successful completion of the Combination. £0.2 million was charged to 'Administrative expenses' in 2018, however, this been reclassified to 'Exceptional transaction costs' and treated as not tax deductible for the purposes of the Unaudited Pro Forma Financial Information. This adjustment will not have a continuing impact.
- (5) In preparing the unaudited pro forma income statement, no account has been taken of the trading activity or other transactions of OSB or Charter Court since 31 December 2018. Neither has any adjustment been made for any synergies, or related costs (which will be incurred post completion of the Combination), which are anticipated to be achieved from the Combination.

2. UNAUDITED PRO FORMA STATEMENT OF NET ASSETS RELATING TO THE COMBINED GROUP

The table below sets out the unaudited pro forma statement of net assets relating to the Combined Group as at 31 December 2018.

	Adjustments				Combined Group Pro forma (£m)
	OSB as at 31 December 2018 (£m)	Charter Court at 31 December 2018 (£m)	Adjustments to conform disclosures (£m)	Combination with Charter Court (£m)	
	Note 1	Note 2	Note 3	Note 4	
Assets					
Cash in hand	0.4	–	–	–	0.4
Loans and advances to credit institutions	1,347.3	981.2	–	(33.5)	2,295.0
Investment securities	58.9	123.0	–	–	181.9
Loans and advances to customers	8,983.3	6,661.5	–	–	15,644.8
Derivative assets	11.7	17.1	–	–	28.8
Fair value adjustments on hedged assets	19.8	(9.9)	–	–	9.9
Deferred taxation asset	3.5	2.5	–	–	6.0
Intangible assets	7.8	2.6	–	391.1	401.5
Property, plant and equipment	21.8	2.5	–	–	24.3
Other assets	5.7	5.9	–	–	11.6
Other assets held at fair value	–	0.1	–	–	0.1
Total assets	10,460.2	7,786.5	–	357.6	18,604.3
Liabilities					
Amounts owed to retail depositors	8,071.9	5,094.5	–	–	13,166.4
Amounts owed to credit institutions	1,584.0	1,214.8	–	–	2,798.8
Amounts owed to other customers	32.9	–	–	–	32.9
Derivative liabilities	24.9	13.7	–	–	38.6
Fair value adjustments on hedged assets	–	(2.7)	–	–	(2.7)
Current taxation liability	19.2	18.8	–	–	38.0
Intercompany loans	–	–	–	–	0.0
Other liabilities	18.7	24.2	(0.1)	(0.1)	42.7
FSCS and other regulatory provisions	1.8	–	0.1	–	1.9
Subordinated liabilities	10.8	–	–	–	10.8
Debt securities in issue	–	972.9	–	–	972.9
Perpetual subordinated bonds	15.3	–	–	–	15.3
Total liabilities	9,779.5	7,336.2	–	(0.1)	17,115.6
Net assets	680.7	450.3	–	357.7	1,488.7

Notes

- (1) The net assets of OSB have been extracted without adjustment from the audited financial statements of OSB as at 31 December 2018 incorporated by reference into this document from Part IX (Financial information in relation to OSB and the OSB Group) of the Prospectus.

- (2) The net assets of Charter Court have been extracted without adjustment from the audited financial statements of Charter Court for the year ended 31 December 2018 incorporated by reference into this document from Part IX (Financial information in relation to OSB and the OSB Group) of the Prospectus.
- (3) This column reflects a reclassification to align the presentation of Charter Court's net assets statement to that of OSB. OSB discloses its FSCS and other regulatory provisions separately on the statement of financial position whereas Charter Court discloses these within 'Other liabilities'. This resulted in a £0.1 million reclassification between the aforementioned line items.
- (4) The adjustments arising as a result of the Combination are set out below:
- (i) Estimated transaction costs of £33.5 million in association with the Combination have been allocated to 'Loans and advances to credit institutions' to reflect the payment of outstanding balances from the total £33.6 million which has been charged to the unaudited pro forma income statement. Aggregate transaction costs totalling £0.1 million were accrued in the balance sheets of OSB and Charter Court as at 31 December 2018 within 'Other liabilities' which are now assumed to be paid in the above net asset statement. A further £0.1 million had already been paid in 2018.
 - (ii) The adjustment reflects the recognition of goodwill arising on the Combination and has been accounted for using the acquisition method of accounting. The excess of consideration over the book value acquired has been reflected as goodwill. A fair value exercise to allocate the purchase price will be completed following the completion of the Combination; therefore no account has been taken in the pro forma of any fair value adjustments that may arise on completion of the Combination.

The equity consideration payable will be through an issuance of new ordinary shares by OSB (referred to as "consideration" in these notes). The consideration payable and the calculation of the adjustment to goodwill is set out below:

	Note	£m
Equity consideration	(a)	841.4
Less net assets acquired of Charter Court	(b)	(447.7)
Pro forma goodwill adjustment		393.7
Less Charter Court existing intangible assets already recognised	(b)	(2.6)
Final pro forma adjustment		391.1

The consideration is due to be settled as follows:

- (a) The consideration of £841.4 million has been calculated as the issue of 197.5 million shares at a share price of 426.0 pence being the closing price per OSB Share as at 13 May 2019, being the Latest Practicable Date, and based on the exchange ratio for the Combination of 0.8253 of a New OSB Share in exchange for each Charter Court Share.

The total consideration payable at completion will be different to the total consideration included in the Unaudited Pro Forma Financial Information as this does not reflect any potential dilutions from Charter Court Share Schemes, which will be computed at the completion date.
 - (b) The net assets acquired of £447.7 million comprise the net assets of Charter Court as at 31 December 2018 as adjusted for the elimination of goodwill and other intangibles of £2.6 million included in the Charter Court balance sheet as at 31 December 2018.
- (5) In preparing the unaudited pro forma net assets statement, no account has been taken of the trading activity or other transactions of OSB or Charter Court since 31 December 2018.

PART B: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

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

15 May 2019

Ladies and Gentlemen

OneSavings Bank plc

We report on the Unaudited Pro Forma Financial Information set out in Part A of Part V of the Class 1 circular dated 15 May 2019, which has been prepared on the basis described Part A of Part V, for illustrative purposes only, to provide information about how the acquisition of Charter Court Financial Services Group plc might have affected the financial information presented on the basis of the accounting policies adopted by OneSavings Bank plc in preparing the financial statements for the period ended 31 December 2018. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of OneSavings Bank plc to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Unaudited Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Ordinary shareholders as a result of the inclusion of this report in the Class 1 circular, 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 Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of OneSavings Bank plc.

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 Unaudited Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of OneSavings Bank plc.

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

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
and
- such basis is consistent with the accounting policies of OneSavings Bank plc.

Yours faithfully

KPMG LLP

PART VI

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Current OSB Directors, whose names appear in paragraph 3 of this Part VI below, and OSB accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Current OSB Directors and OSB (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. COMPANY INFORMATION

OSB was incorporated and registered in England and Wales under the Companies Act as a private company limited by shares on 13 July 2010 under the name Sevco 5067 Limited, with registered number 07312896. OSB changed its name to OneSavings Limited on 3 August 2010. OSB re-registered as a public company limited by shares with the name OneSavings Plc on 8 October 2010. OSB changed its name to OneSavings Bank plc on 1 February 2011.

OSB is domiciled in the UK. Its registered office is at Reliance House, Sun Pier, Chatham, Kent ME4 4ET and head office is at OSB House, Quayside, Chatham Maritime, Kent, ME4 4QZ. Its telephone number is 01634 848944.

The principal legislation under which OSB operates and under which the New OSB Shares will be created is the Companies Act.

OSB became the holding company of the OSB Group on 1 February 2011.

3. OSB DIRECTORS AND CHARTER COURT KEY INDIVIDUALS

Current OSB Directors	David Weymouth (<i>Chairman</i>) Andy Golding (<i>Chief Executive Officer</i>) April Talintyre (<i>Chief Financial Officer</i>) Graham Allatt (<i>Non-executive Director</i>) Eric Anstee (<i>Non-executive Director</i>) Rod Duke (<i>Senior Independent Director</i>) Margaret Hassall (<i>Non-executive Director</i>) Sarah Hedger (<i>Non-executive Director</i>) Mary McNamara (<i>Non-executive Director</i>)
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Proposed OSB Directors	Sir Malcolm Williamson Tim Brooke Noël Harwerth Rajan Kapoor Ian Ward
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4. WORKING CAPITAL

In the opinion of OSB, the working capital available to the Combined Group is sufficient for its present requirements, that is, for at least the next 12 months following the date of this document.

5. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the OSB Group since 31 December 2018, being the date to which the OSB Group's last audited consolidated financial statements were prepared.

There has been no significant change in the financial or trading position of the Charter Court Group since 31 December 2018, being the date to which the Charter Court Group's last audited consolidated financial statements were prepared.

6. CONSENTS

Rothschild & Co, which has acted as sponsor and financial adviser to OSB and whose registered office is at New Court, St Swithin's Lane, London EC4N 8AL, has given and not withdrawn its consent to the publication of this document with the inclusion herein of the references to its name in the form and context in which it appears.

Barclays, which has acted as broker and financial adviser to OSB and whose registered office is at 5 The North Colonnade, London E14 4BB, has given and not withdrawn its consent to the publication of this document with the inclusion herein of the references to its name in the form and context in which it appears.

KPMG, a member firm of the Institute of Chartered Accountants in England and Wales, which has acted as reporting accountant to OSB and whose address is at 15 Canada Square, London E14 5GL, has given and not withdrawn its consent to the publication of this document with the incorporation of its report on the Unaudited Pro Forma Financial Information set out in Part V (Unaudited pro forma financial information) and has given and not withdrawn its consent to the publication of this document with the inclusion herein of the references to its name in the form and context in which it appears.

7. SOURCES AND BASES

Unless otherwise stated, in this document:

- 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;
- financial information relating to Charter Court has been extracted (without material adjustment) from the audited historical financial information referred to in Part IV (Historical Financial Information relating the Charter Court Group) of this document for the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016 prepared in accordance with IFRS;
- the percentage of the share capital of the Combined Group that will be owned by Charter Court Shareholders of approximately 45 per cent. is calculated by dividing the maximum number of New OSB Shares to be issued under the terms of the Combination (being 202,165,502) by the issued share capital of the Combined Group (being 447,320,535) and multiplying the resulting sum by 100 to produce a percentage;
- the fully diluted share capital of Charter Court (being 244,960,016 Charter Court Shares) is calculated on the basis of:
 - Charter Court's issued share capital as at the Latest Practicable Date of 239,320,419; and
 - 5,639,597 Charter Court Shares that may be issued on or after the date of this document on the exercise of options or vesting of awards under the Charter Court Share Plans.
- the share capital of the Combined Group (being 447,320,535) has been calculated as the sum of:
 - the total number of OSB Shares in issue as at the close of business on the Latest Practicable Date (being 245,155,033 OSB Shares); and
 - 202,165,502 New OSB Shares that would be issued under the terms of the Combination (being 0.8253 New OSB Shares to be issued per Charter Court Shares multiplied by the fully diluted share capital of Charter Court);
- on the Latest Practicable Date, OSB held no OSB Shares in treasury;

- 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 is provided in paragraph 4 of Part I (Letter from the Chair);
- the timing expectations set out in this document assume that the Combination would become effective in Q3 2019;
- this document contains certain financial information and measures that are not calculated in accordance with IFRS;
- certain figures included in this document 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; and
- where information has been sourced from a Third Party, OSB confirms that the information has been accurately reproduced and, as far as OSB is aware and able to ascertain from information published by that Third Party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where Third Party information has been used, the source of such information has been identified wherever it appears in this document.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection during normal business hours on any Business Day for a period beginning on the date of this document and ending on the Effective Date at OSB's registered office, being Reliance House, Sun Pier, Chatham, Kent ME4 4ET, United Kingdom:

- OSB's memorandum of association and the OSB articles of association;
- the Prospectus;
- this Circular;
- the Scheme Document;
- the Announcement;
- the OSB 2018 Annual Report and Accounts, the OSB 2017 Annual Report and Accounts and the OSB 2016 Annual Report and Accounts;
- the Charter Court 2018 Annual Report and Accounts, the Charter Court 2017 Annual Report and Accounts and the Charter Court 2016 Annual Report and Accounts;
- the report by KPMG set out in Part B of Part V (Unaudited Pro Forma Financial Information); and
- the consent letters referred to in paragraph 6 of this Part VI.

9. INFORMATION INCORPORATED BY REFERENCE

The table below sets out the documents of which certain parts are incorporated by reference into, and form part of, this document, and only the parts of the documents identified in the table below are incorporated into, and form part of, this document. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this document. Apart from the information incorporated by reference in Part IV, where the information described below itself incorporates further information by reference to another document, that further information is not intended to form part of this document for any purpose.

The Prospectus has been published by OSB and can be viewed on its website (www.osb.co.uk). The Prospectus contains information regarding, among other things, the reasons for the Combination, further details concerning OSB and Charter Court, historical financial information of OSB, the OSB Directors and the New OSB Shares.

Information incorporated by reference	Sections of the Prospectus incorporated by reference	Prospectus page number(s)
Information on OSB		
Interests of the Current OSB Directors, Proposed OSB Directors and the OSB Senior Management in OSB Shares	Paragraph 2 of Part XVI	133-134
Service contracts and letters of appointment	Paragraph 4 of Part XVI	136
Major shareholders	Paragraph 4 of Part XVII	155
Related party transactions	Paragraph 8 of Part XVII	166
Material contracts	Paragraph 9 of Part XVII	166-170
Litigation	Paragraph 10 of Part XVII	175
Information on Charter Court		
Financial information in relation to Charter Court and the Charter Court Group	Part B of Part XI	96
Material contracts	Paragraph 9 of Part XVII	170-175
Litigation	Paragraph 10 of Part XVII	175

PART VII

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Admission”	admission of the New OSB Shares to the Official List with a premium listing and to trading on the Main Market
“Announcement”	the announcement made on 14 March 2019 in relation to the Combination pursuant to Rule 2.7 of the City Code
“AT1 Securities”	CRD IV compliant additional tier 1 securities
“Awards”	options and awards granted under the Charter Court Share Plans
“Barclays”	Barclays Bank PLC, acting through its Investment Bank
“Board”	means the OSB Board or the Charter Court Board, as the context requires
“BRRD”	Bank Recovery and Resolution Directive (2014/59/EU)
“Business Day”	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
“Charter Court”	Charter Court Financial Services Group plc, a public limited company incorporated in England and Wales with registered number 06712054
“Charter Court 2016 Annual Report and Accounts”	Charter Court’s annual report and audited accounts for the year ended 31 December 2016 (which includes the Charter Court Group’s audited historical financial statements for the year ended 31 December 2016)
“Charter Court 2017 Annual Report and Accounts”	Charter Court’s annual report and audited accounts for the year ended 31 December 2017 (which includes the Charter Court Group’s audited historical financial statements for the year ended 31 December 2017)
“Charter Court 2018 Annual Report and Accounts”	Charter Court’s annual report and audited accounts for the year ended 31 December 2018 (which includes the Charter Court Group’s audited historical financial statements for the year ended 31 December 2018)
“Charter Court Articles”	the current articles of association of Charter Court or, where the context so requires, the articles of association of Charter Court from time to time
“Charter Court Board”	the Charter Court Directors collectively
“Charter Court Directors”	the directors of Charter Court at the time of this Circular or, where the context so requires, the directors of Charter Court from time to time
“Charter Court General Meeting”	the general meeting of Charter Court Shareholders (including any adjournment thereof) to be convened in connection with the Scheme to consider and, if thought fit, approve the Charter Court Resolutions
“Charter Court Group”	Charter Court and its subsidiaries and subsidiary undertakings
“Charter Court Meetings”	the Court Meeting and the Charter Court General Meeting and, where the context permits, each of them

“Charter Court Preliminary Results Announcement”	Charter Court’s preliminary results announcement for the 12-month period ended 31 December 2018 (which includes the Charter Court Group’s audited historical consolidated financial statements for the 12 months ended 31 December 2018) dated 14 March 2019
“Charter Court Resolutions”	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 Charter Court Articles 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
“Charter Court Share Plans”	the Charter Court Performance Share Plan 2017, the Charter Court Deferred Bonus Plan 2014 and the Charter Court Sharesave Scheme
“Charter Court Shareholders”	the holders of Charter Court Shares
“Charter Court Shares”	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 that are unconditionally allotted or issued before the Scheme becomes effective
“CET1”	Common Equity Tier 1
“Change in Control Condition”	Condition 4(B), as set out in Appendix I to the Announcement
“Circular”	this Circular 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
“City Code”	the City Code on Takeovers and Mergers
“Closing Price”	the closing middle market quotations of a share derived from the Daily Official List of the London Stock Exchange
“CMA”	the UK Competition and Markets Authority, the competent UK authority, a department of the government of the United Kingdom, responsible for competition
“Combination”	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 permits, any subsequent revision, variation, extension or renewal thereof
“Combined Group”	the enlarged group comprising the OSB Group and the Charter Court Group if the Combination completes
“Companies Act”	the UK Companies Act 2006
“Completion”	completion of the Combination
“Conditions”	the conditions to the implementation of the Combination, as set out in the Scheme Document

“Consideration”	the consideration payable to Charter Court Shareholders pursuant to the Combination, comprising 0.8253 New OSB Shares per Charter Court Share
“Co-operation Agreement”	the agreement dated 14 March 2019 between OSB and Charter Court and relating to, among other things, the implementation of the Combination (as amended from time to time)
“Court”	the High Court of Justice in England and Wales
“Court Meeting”	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
“Court Order”	the order of the Court sanctioning the Scheme under section 899 of the Companies Act
“Court Sanction Hearing”	the hearing of the Court to sanction the Scheme pursuant to section 899 of the Companies Act and any adjournment, postponement or reconvening thereof
“CRD IV”	the Capital Requirements Directive (2013/36/EU) (as implemented in the UK through applicable regulatory rules set out in the PRA Rulebook and other PRA publications) and the EU Capital Requirements Regulation (575/2013/EU)
“CREST”	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
“Current OSB Directors”	the directors whose names appear in Part VI (Additional Information) as Current OSB Directors
“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules made by the FCA and forming part of the FCA’s Handbook, 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 elects to implement the Combination by means of an Offer, the date on which the Offer becomes or is declared unconditional in all respects
“Elliott”	Elliott International L.P. and The Liverpool Limited Partnership
“Equiniti”	Equiniti Limited
“EU”	the European Union
“Excluded Shares”	any Charter Court Shares: <ol style="list-style-type: none"> 1. registered in the name of, or beneficially owned by, OSB or any member of the OSB Group or their respective nominees; or 2. held in treasury
“FCA” or “Financial Conduct Authority”	the FCA (as defined in FSMA) (including the FCA acting in the capacity of performing its UK Listing Authority functions), or its successor from time to time
“FCA Handbook”	FCA’s handbook of rules and guidance

“FLS”	the Bank of England Funding for Lending Scheme
“Forms of Proxy”	the forms of proxy for use in connection with the Court Meeting and the Charter Court General Meeting (as applicable) that accompany the Scheme Document
“FSCS”	the Financial Services Compensation Scheme
“FSMA”	the Financial Services and Markets Act 2000
“GDPR”	the EU General Data Protection Regulation (2016/679/EU)
“ICO”	the UK Information Commissioner’s Office
“IFRS”	International Financial Reporting Standards
“KPMG”	KPMG LLP
“Latest Practicable Date”	13 May 2019, being the latest practicable date before the publication of this document
“Listing Rules”	the listing rules and regulations made by the FCA pursuant to Part 6 of FSMA, and contained in the FCA’s publication of the same name
“London Stock Exchange”	London Stock Exchange plc
“Longstop Date”	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))
“Main Market”	the Main Market of the London Stock Exchange
“Merian”	Merian Global Investors (UK)
“MREL”	Minimum requirements for own funds and eligible liabilities
“New OSB Shares”	the new OSB Shares proposed to be issued to Charter Court Shareholders in connection with the Scheme (or the Combination, as the context requires) or in Consideration for the transfer to OSB of Charter Court Shares pursuant to the Charter Court Articles as amended by the Charter Court Resolutions
“Offer”	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
“Official List”	the official list maintained by the FCA pursuant to FSMA
“OSB”	OneSavings Bank plc, a public limited company incorporated in England with registered number 07312896
“OSB 2016 Annual Report and Accounts”	OSB’s annual report and audited accounts for the year ended 31 December 2016 (which includes the OSB Group’s audited historical financial statements for the year ended 31 December 2016)
“OSB 2017 Annual Report and Accounts”	OSB’s annual report and audited accounts for the year ended 31 December 2017 (which includes the OSB Group’s audited historical financial statements for the year ended 31 December 2017)

“OSB 2018 Annual Report and Accounts”	OSB’s annual report and audited accounts for the year ended 31 December 2018 (which includes the OSB Group’s audited historical financial statements for the year ended 31 December 2018)
“OSB Board”	the OSB Directors collectively
“OSB Directors”	the directors of OSB as at the date of this document or, where the context so requires, the directors of OSB from time to time
“OSB Form of Proxy”	the personalised form of proxy accompanying the notice of the OSB General Meeting
“OSB General Meeting”	the general meeting of OSB Shareholders (including any adjournment thereof) to be convened to consider and, if thought fit, approve the OSB Resolution (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
“OSB Group”	OSB and its subsidiaries and subsidiary undertakings from time to time and, where the context permits, each of them
“OSB Resolution”	means the shareholder resolution of OSB necessary to approve, effect and implement the Combination, including, without limitation, to: (i) approve the Combination as a “Class 1 transaction” under the Listing Rules; and (ii) grant authority to the OSB Directors to allot the New OSB Shares (and any amendment(s) thereof)
“OSB Senior Management”	the executive leadership team of OSB
“OSB Shareholders”	the holders of OSB Shares
“OSB Shares”	the allotted and issued ordinary shares of 4 2/7 pence each in the capital of OSB
“Panel”	the UK Panel on Takeovers and Mergers
“PD Regulation”	the Prospectus Directive Regulation EU (809/2004/EC)
“Permitted Dividend”	has the meaning in paragraph 1 of Part I (Letter from the Chair)
“PPI”	payment protection insurance
“PRA” or “Prudential Regulation Authority”	the Prudential Regulation Authority (as defined in FSMA) or its successor from time to time
“PRA Rulebook”	the PRA’s rules made under FSMA
“Proposed OSB Directors”	the directors whose names appear in Part VI (Additional Information) as Proposed OSB Directors
“Prospectus”	the prospectus 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
“Prospectus Rules”	the prospectus rules made by the FCA pursuant to Part VI of FSMA (as amended), referred to in section 73A(4) of FSMA and contained in the FCA’s publication of the same name
“Quantified Financial Benefits Statement”	the statements of estimated cost savings and synergies arising out of the Combination set out in paragraph 3 of Part I (Letter from the Chair) under the heading “Quantified Financial Benefits Statement”
“Registrar of Companies”	the Registrar of Companies in England and Wales

“Regulatory Information Service”	means a regulatory information service as defined in the Listing Rules
“Restricted Jurisdiction”	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
“Restricted Overseas Persons”	any Charter Court Shareholder who (A) is resident or has a registered address in a jurisdiction outside the United Kingdom or United States, or (B) whom OSB reasonably believes to be a citizen, resident or national of a jurisdiction outside the United Kingdom or United States; and in each case, in respect of whom OSB is advised that the law of a country or territory outside the United Kingdom and the United States: (i) precludes the allotment, issue and/or delivery to that Charter Court Shareholder of OSB Shares; or (ii) precludes the matters referred to in Clause 3.1.1, except after compliance by Charter Court or OSB (as the case may be) with any governmental or other consent or any registration, filing or other formality with which Charter Court and/or OSB is unable to comply or compliance with which Charter Court and/or OSB (as the case may be) regards as unduly onerous
“Rothschild & Co”	N. M. Rothschild & Sons Limited
“Scheme”	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
“Scheme Document”	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
“Scheme Record Time”	the time and date specified as such in the Scheme Document, expected to be 6.00 p.m. on the Business Day immediately before the Effective Date, or such other time as OSB and Charter Court may agree
“Scheme Shareholders”	holders of Scheme Shares
“Scheme Shares”	<ol style="list-style-type: none"> 1. the Charter Court Shares in issue at the date of the Scheme Document; 2. any Charter Court Shares issued after the date of the Scheme Document and before the Voting Record Time; and 3. any Charter Court Shares issued at, or after, the Voting Record Time and before 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, <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>

“Significant Interest”	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
“Third Party”	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
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US Exchange Act”	US Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder
“US Securities Act”	US Securities Act of 1933, and the rules and regulations promulgated thereunder
“Voting Record Time”	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 6.30 p.m. on the day two calendar days before the Court Meeting or any adjournment thereof (as the case may be)
“Wider Charter Court Group”	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
“Wider OSB Group”	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 document:

- the terms “**subsidiary**”, “**subsidiary undertaking**” and “**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 any statute, statutory provision or law or to any order, or regulation or rules shall be construed as a reference to that statute, statutory provision, law, order, or regulation or rules as amended, 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 document are to London time unless otherwise stated; and
- all references to “pounds”, “pounds Sterling”, “Sterling”, “£”, “pence”, “penny” or “p” are to the lawful currency of the United Kingdom.

PART VIII

NOTICE OF OSB GENERAL MEETING

NOTICE OF GENERAL MEETING OF

ONESAVINGS BANK PLC

(the “Company”)

(registered in England with registered number 07312896)

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of the Company will be held at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY at 10.00 a.m. on 6 June 2019 for the purpose of considering and, if thought fit, passing the following resolution, which shall be proposed as an ordinary resolution:

RESOLUTION 1 (Ordinary Resolution) – Approval of Combination and authority to allot the New OSB Shares

THAT:

- (A) the proposed acquisition (which is a “Class 1 transaction” under the listing rules and regulations made by the Financial Conduct Authority under the Financial Services and Markets Act 2000 and contained in the Financial Conduct Authority’s publication of the same name, as amended from time to time) by the Company of the entire issued and to be issued ordinary share capital of Charter Court Financial Services Group plc (“**Charter Court**”), to be effected pursuant to a scheme of arrangement of Charter Court under Part 26 of the Companies Act 2006 (the “**Scheme**”) (or by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act 2006 in the circumstances set out in the Co-operation Agreement entered into between the Company and Charter Court dated 14 March 2019 (a “**Takeover Offer**”)) (together, the “**Combination**”), substantially on the terms and subject to the conditions as set out in:
- (i) the circular to shareholders of the Company dated 15 May 2019 (the “**Circular**”) outlining the Combination, of which this notice convening this General Meeting (the “**Notice**”) forms part; and
 - (ii) the prospectus prepared by the Company in connection with Admission (as defined below) dated 15 May 2019,

be and is hereby approved and the directors of the Company (the “**Directors**”) (or a duly authorised committee thereof) be and are hereby authorised to do or procure to be done all such acts and things as they consider necessary, expedient or appropriate in connection with the Combination and this resolution (including for the purpose of obtaining any approval, consent, clearance or permission that is a condition to the Combination or that the Directors otherwise consider necessary or expedient) and to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Combination (provided that such modifications, variations, revisions, waivers or amendments do not materially change the terms of the Combination under Listing Rule 10.5.2R) and to any documents and arrangements relating thereto, as the Directors (or a duly authorised committee thereof) may in their absolute discretion think fit; and

- (B) subject to and conditional upon:
- (i) the conditions for the Scheme to become effective being satisfied (or, where applicable, waived), except for the conditions relating to:
 - (a) the delivery of the order of the High Court of Justice in England and Wales sanctioning the Scheme to the Registrar of Companies in England and Wales; and
 - (b) the Financial Conduct Authority having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the new ordinary shares of £0.01 each in the capital of the Company

to be issued pursuant to the Scheme (or, as the case may be, the Takeover Offer) (the “**New OSB Shares**”) to listing on the premium-listing segment of the Official List maintained by the FCA has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (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 the London Stock Exchange plc having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the New OSB Shares will be admitted to trading on the main market of the London Stock Exchange plc (“**Admission**”); or, as the case may be; or

- (ii) a Takeover Offer becoming or being declared wholly unconditional (except for Admission),

the Directors be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (in addition, to the extent unutilised, to the authority granted to the Directors at the Company’s annual general meeting held on 9 May 2019, which remains in full force and effect and without prejudice to the continuing authority of the Directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which any such offer or agreement was made) to exercise all the powers of the Company to allot the New OSB Shares and to grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal amount of £2,021,655.02, in each case, credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Combination, and which authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2021 (unless previously revoked, renewed or varied by the Company in a general meeting), save that the Company may before such expiry make an offer or enter into an agreement that would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

15 May 2019

By order of the Board
Jason Elphick
Company Secretary

Registered office:
Reliance House
Sun Pier
Chatham
Kent ME4 4ET

Registered in England No. 07312896

Explanatory note to Resolution 1

Resolution 1, which will be proposed as an ordinary resolution, proposes that:

- (a) the Combination be approved and the Directors be authorised to implement the Combination; and
- (b) the Directors be authorised to allot the New OSB Shares in connection with the Combination up to an aggregate nominal amount of £2,021,655.02 (representing 202,165,502 ordinary shares of 1 pence each).

If the resolution is passed, this authority will expire at the conclusion of the annual general meeting of the Company to be held in 2021. This authority is in addition to the Company’s authority to allot shares granted at the Company’s annual general meeting on 9 May 2019.

Shareholder notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting.
2. A member may appoint more than one proxy in relation to the general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. A proxy form, which may be used to make such appointment and give proxy instructions, accompanies this Notice. If you do not have a proxy form and believe that you should have, or if you require additional forms, please contact Equiniti Limited on 0371 384 2050. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. If calling from outside the UK, please contact the Equiniti overseas helpline number on +44 121 415 0259.
3. To be effective, a proxy form or other instrument appointing a proxy must be deposited with Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not less than 48 hours before the time fixed for the meeting (i.e. by 10.00 a.m. on 4 June 2019). You may also lodge your vote electronically online at www.sharevote.co.uk where full instructions on the procedure are given. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required to use this electronic proxy appointment system. Alternatively, shareholders who have already registered with Equiniti Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click "view" on the "My Investments" page. Click on the link to vote and follow the on screen instructions.
4. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 10 below) will not prevent a member attending the general meeting and voting in person if he/she wishes to do so.
5. Any person to whom this Notice is sent who is a person nominated to enjoy information rights pursuant to section 146 of the Companies Act 2006 (a "**Nominated Person**") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
6. The statements of the rights of members in relation to the appointment of proxies in paragraph 1 above do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
7. To be entitled to attend and vote at the general meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6.30 p.m. on 4 June 2019 (or, in the event of any adjournment, at 6.30 p.m. on the date that is two days before the time of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. As at 13 May 2019 (the latest practicable date before the publication of this Notice), the Company's issued share capital consisting of 245,155,033 ordinary shares, carrying one vote each and the Company held no shares in treasury. Therefore the total number of voting rights in the Company as at 13 May 2019 was 245,155,033.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the general meeting to be held at 10.00 a.m. on 6 June 2019 and any adjournment(s) thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual (available at www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, to be valid, be transmitted to be received by Equiniti Limited (CREST participant ID RA19) by 10.00 a.m. on 4 June 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST applications host) from which Equiniti Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
13. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. Seniority will be determined by the order in which the names appear in the register of members in respect of the joint holding.

14. Any corporation that is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if there is more than one corporate representative, they do not do so in relation to the same shares.
15. Members may not use any electronic address provided either in this Notice or in any related documents (including any proxy form) to communicate with the Company for any purposes other than those expressly stated.
16. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at www.osb.co.uk.
17. Any member attending the general meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the general meeting but no such answer need be given if (i) to do so would interfere unduly with the preparation for the general meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the general meeting that the question be answered.
18. If attending in person, you should bring with you a form of photographic identification such as a passport or photocard driving licence.

