

No. SC327000

The Companies Act 2006

Company Limited by Shares

ARTICLES OF ASSOCIATION

as adopted by special resolution passed on 1 March 2022

of

BANK OF SCOTLAND PLC

(incorporated on 17 September 2007)

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Articles of Association

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of

Bank of Scotland plc (the “Company”)

Preliminary

1 Default Articles not to apply

Neither the regulations in The Companies (Model Articles) Articles 2008 nor Table A in The Companies (Tables A to F) Regulations 1985 nor any other articles or regulations prescribing the form of articles which may apply to companies under the legislation or any former enactment relating to companies shall apply to the Company.

Part 1

Interpretation, Limitation of Liability and Objects

2 Defined terms

2.1 In the Articles, unless the context requires otherwise:

“**Alternate**” or “**Alternate Director**” has the meaning given in Article 31;

“**amount (of a share)**” means the nominal amount of the share;

“**appointor**” has the meaning given in Article 31;

“**Articles**” means the Company’s articles of association;

“**Associated Company**” has the same meaning as in Section 256 Companies Act 2006;

“**Auditors**” means the Company’s auditors;

“**bankruptcy**” includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

“**CA 1985**” means the Companies Act 1985;

“**Chair**” has the meaning given in Article 15;

“**Chair of the Meeting**” has the meaning given in Article 71.3;

“**combined physical and electronic general meeting**” means a meeting convened and held in accordance with these Articles and which allows participants to attend at a physical place of meeting or via an electronic platform;

“**Class A Perpetual Preference Shares**” means 8.117% non-cumulative redeemable Preference Shares of £10 each in the capital of the Company;

“Class B Perpetual Preference Shares” means 7.754% non-cumulative redeemable Preference Shares of £10 each in the capital of the Company;

“Companies Acts” means the Companies Acts (as defined in Section 2 of the Companies Act 2006), in so far as they apply to the Company;

“Convertible Preference Shares” means the Preference Shares which will or may be converted into Ordinary Shares or other securities of the Company;

“Director” means a director of the Company, and includes any person occupying the position of director, by whatever name called;

“document” includes, unless otherwise specified, any document sent or supplied in electronic form;

“electronic form” has the meaning given in Section 1168 of the Companies Act 2006;

“electronic-only general meeting” means a meeting convened and held in accordance with these Articles and which allows participants to attend a general meeting via an electronic platform only;

“electronic platform” means any form of electronic platform or facility and includes, without limitation, website addresses, application technology and conference call systems;

“existing Preference Shares” means Preference Shares which are in issue at the relevant time;

“existing shares (of any kind)” means shares which are in issue at the relevant time;

“Extraordinary Resolution” means a decision reached by a majority of at least 75 per cent. of votes cast. Shareholders must be given at least 14 days’ notice of any Extraordinary Resolution;

“FSA” means the Financial Services Authority or any other person or body which is the regulator of the Company’s business at the relevant time;

“fully paid” in relation to a share, means that the nominal value and any premium to be paid to the Company in respect of that share have been paid to the Company;

“Governor” means the Governor of the Company;

“Group” means the Company together with its subsidiaries;

“hard copy form” has the meaning given in Section 1168 of the Companies Act 2006;

“holder” in relation to shares means the person whose name is entered in the register of members as the holder of the shares;

“Initial Preference Shares” means the 9¼ per cent. Preference Shares and 9¼ per cent. Preference Shares;

“in writing” means any method of reproducing words in a legible form except in relation to Article 41.1 where it shall have the meaning set out in Article 41.4;

“legislation” means the Companies Act and every other enactment for the time being in force concerning companies and affecting the Company;

“ordinary resolution” has the meaning given in Section 282 of the Companies Act 2006;

“Ordinary Shares” means the Company’s ordinary shares;

“Ordinary Shareholder” means a holder of the Company’s Ordinary Shares;

“paid” means paid or credited as paid;

“paid-up share” includes a share which is treated (credited) as paid up;

“Parent Company” means HBOS plc, a company incorporated in Scotland under the CA 1985 with the registered number 218813;

“participate”, in relation to a Directors’ meeting, has the meaning given in Article 13;

“Perpetual Preference Shares” means the Class A Perpetual Preference Shares and the Class B Perpetual Preference Shares;

“physical general meeting” means any general meeting attended by persons physically present at the location(s) specified in the notice of such general meeting;

“Preference Dividend” has the meaning ascribed thereto in Regulation 35.2.1(i);

“Preference Shareholder” means a holder of the Company’s Preference Shares;

“Preference Shares” means the Company’s preference shares. Any Preference Shares with a right to cumulative dividends are called Cumulative Preference Shares. Any Preference Shares with a right to non-cumulative dividends are called Non-Cumulative Preference Shares;

“9¼ per cent. Preference Shares” means the non-cumulative irredeemable Preference Shares in the capital of the Company which have a dividend rate of 9¼ per cent. each year;

“9¾ per cent. Preference Shares” means the non-cumulative irredeemable Preference Shares in the capital of the Company which have a dividend rate of 9¾ per cent. each year;

“present” means for the purposes of a physical general meeting, physically present or, for the purposes of a combined physical and electronic general meeting, either physically present or present by attendance via an electronic platform or, for the purposes of an electronic-only general meeting, present by attendance via an electronic platform;

“proxy notice” has the meaning given in Article 79;

“Redeemable Preference Shares” means Preference Shares which are to be redeemed or are liable to be redeemed;

“Redemption Date” means, except where otherwise specifically defined in these Articles, the date on which Redeemable Preference Shares are to be redeemed;

“Relevant Director” means any Director or former Director of the Company or any director or former director of an Associated Company of the Company;

“rights (of any share)” means the rights attached to the share at the time it is issued or at any later time;

“Secretary” means any person appointed to perform the duties of the secretary of the Company (including any deputy or assistant secretary) in accordance with Article 33;

“share capital” means the Company’s authorised share capital;

“shareholder” means a person who is the holder of a share;

“**shares**” means shares in the Company;

“**special resolution**” has the meaning given in Section 283 of the Companies Act 2006;

“**subsidiary**” has the meaning given in Section 1159 of the Companies Act 2006;

“**transmittee**” means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law;

“**United Kingdom**” means Great Britain and Northern Ireland; and

“**working day**” means in relation to payments, a day on which banks in the country in which a payment is to be made (and, if so specified in the terms of issue of any shares, banks in any other country or countries) are generally open for business and in relation to any other matter, a day, other than a Saturday, Sunday or public holiday when banks in Scotland are generally open for business.

2.2 Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Companies Act 2006 as in force on the date when these Articles become binding on the Company.

2.3 The provisions of these Articles relating to general meetings and to the proceedings at such meetings shall apply to separate meetings of a class of shareholders.

3 Liability of shareholders

The liability of the shareholders is limited to the amount, if any, unpaid on the shares held by them.

4 Objects

The business and objects for which the Company is established are set out in Schedule 1 to these Articles.

Part 2 Directors

Directors’ Powers and Responsibilities

5 Number of Directors

The Directors shall not be less than two and shall not be subject to any maximum.

6 Directors’ general authority

Subject to the Articles, the Directors are responsible for the management of the Company’s business, for which purpose they may exercise all the powers of the Company.

7 Shareholders’ reserve power

7.1 The shareholders may, by special resolution, direct the Directors to take, or refrain from taking, specified action.

7.2 No such special resolution invalidates anything which the Directors have done before the passing of the resolution.

8 Directors may delegate

8.1 Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles:

8.1.1 to such person (who need not be a Director) or committee (comprising any number of persons, who need not be Directors);

8.1.2 by such means (including by power of attorney);

8.1.3 to such an extent;

8.1.4 in relation to such matters or territories; and

8.1.5 on such terms and conditions,

as they think fit.

8.2 If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

8.3 Any reference in these Articles to the exercise of a power or discretion by the Directors shall include a reference to the exercise of a power or discretion by any person or committee to whom it has been delegated.

8.4 The Directors may revoke any delegation in whole or part or alter its terms and conditions.

9 Committees

The Directors may make regulations in relation to the procedures of committees or sub-committees to whom their powers or discretions have been delegated or sub-delegated. Subject to any such regulations, the meetings and procedures of any committee or sub-committee shall be governed by the provisions of these Articles regulating the meetings and procedures of Directors.

Decision-Making by Directors

10 Directors to take decisions collectively

10.1 The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken by Directors' written resolution in accordance with Article 11.

10.2 If:

10.2.1 the Company only has one Director; and

10.2.2 no provision of the Articles requires it to have more than one Director,

the general rule does not apply, and the Director may take decisions without regard to any of the provisions of the Articles relating to Directors' decision-making, provided that any decision taken shall be recorded in writing and the record kept for 10 years.

11 Directors' written resolutions

11.1 Any Director may propose a written resolution by giving written notice to the other Directors or may request the Secretary (if any) to give such notice.

11.2 A Directors' written resolution is adopted when all the Directors who would have been entitled to vote on such resolution if it had been proposed at a meeting of the Directors have:

11.2.1 signed one or more copies of it; or

11.2.2 otherwise indicated their agreement to it in writing.

11.3 A Directors' written resolution is not adopted if the number of Directors who have signed it is less than the quorum for Directors' meetings.

12 Calling a Directors' meeting

12.1 Any Director may call a Directors' meeting by giving notice of the meeting to the other Directors or by requesting the Secretary (if any) to give such notice.

12.2 Notice of any Directors' meeting must indicate:

12.2.1 its proposed date and time;

12.2.2 where it is to take place; and

12.2.3 if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

12.3 Notice of a Directors' meeting must be given to each Director but need not be in writing.

12.4 Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company before or after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

13 Participation in Directors' meetings

13.1 Subject to the Articles, Directors participate in a Directors' meeting, or part of a Directors' meeting, when:

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

13.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

13.2 In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.

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

14 Quorum for Directors' meetings

14.1 At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

14.2 The quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, but it must never be less than two, and unless otherwise fixed it is two.

14.3 If the total number of Directors for the time being is less than the quorum required, the Directors must not take any decision other than a decision:

14.3.1 to appoint further Directors; or

14.3.2 to call a general meeting so as to enable the shareholders to appoint further Directors.

15 Chairing of Directors' meetings

15.1 The Directors may appoint a Director to chair their meetings.

15.2 The person so appointed for the time being is known as the Chair.

15.3 The Directors may terminate the Chair's appointment at any time.

15.4 If the Chair is not participating in a Directors' meeting within ten minutes of the time at which it was to start, the participating Directors may appoint one of their number to chair it.

16 Casting vote

16.1 If the numbers of votes for and against a proposal are equal, the Chair or other Director chairing the meeting has a casting vote.

16.2 But this does not apply if, in accordance with the Articles, the Chair or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

17 Validity of proceedings

All acts done by any meeting of Directors, or of any committee or sub-committee of the Directors, or by any person acting as a member of any such committee or sub-committee, shall as regards all persons dealing in good faith with the Company be valid, notwithstanding that there was some defect in the appointment of any Director or any such persons, or that any such persons were disqualified or had vacated office, or were not entitled to vote.

18 Record of decisions to be kept

The Secretary must ensure that the Company keeps a record, in writing, of every majority decision taken by the Directors and of every Directors' written resolution for at least 10 years from the date of the decision or resolution.

19 Directors' discretion to make further rules

Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors.

Directors' Interests

20 Authorisation of Directors' interests

20.1 For the purposes of Section 175 of the Companies Act 2006, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director to avoid a situation in which the Director has, or can have,

a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

20.2 Authorisation of a matter under this Article 20 shall be effective only if:

20.2.1 the matter in question shall have been proposed for consideration at a meeting of the Directors, in accordance with the usual procedures for such meetings or in such other manner as the Directors may resolve;

20.2.2 any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question and any other interested Director (together the “**Interested Directors**”); and

20.2.3 the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.

20.3 Any authorisation of a matter under this Article may:

20.3.1 extend to any actual or potential conflict of interest which may arise out of the matter so authorised;

20.3.2 be subject to such conditions or limitations as the Directors may resolve, whether at the time such authorisation is given or subsequently; and

20.3.3 be terminated by the Directors at any time;

and a Director shall comply with any obligations imposed on the Director by the Directors pursuant to any such authorisation.

20.4 A Director shall not, save as otherwise agreed by the Director, be accountable to the Company for any benefit which he (or a person connected with the Director) derives from any matter authorised by the Directors under this Article 20 and any contract, transaction or arrangement relating to such a matter shall not be liable to be avoided on the grounds of any such benefit.

21 Permitted Interests

21.1 Subject to compliance with Article 21.2, a Director, notwithstanding the Director’s office, may have an interest of the following kind:

21.1.1 where a Director (or a person connected with the Director) is a director or other officer of, or employed by, or otherwise interested (including by the holding of shares) in any Relevant Company;

21.1.2 where a Director (or a person connected with the Director) is a party to, or otherwise interested in, any contract, transaction or arrangement with a Relevant Company, or in which the Company is otherwise interested;

21.1.3 where a Director has an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;

21.1.4 where a Director has an interest, or a transaction or arrangement gives rise to an interest, of which the Director is not aware; or

21.1.5 where a Director has any other interest authorised by ordinary resolution.

No authorisation under Article 20 shall be necessary in respect of any such interest.

21.2 A Director shall declare the nature and extent of any interest permitted under Article 21.1 and not falling within Article 21.3, at a meeting of the Directors or in such other manner as the Directors may resolve.

21.3 No declaration of an interest shall be required by a Director in relation to an interest:

21.3.1 falling within Article 21.1.1, 21.1.3 or 21.1.4;

21.3.2 if, or to the extent that, the other Directors are already aware of such interest (and for this purpose the other Directors are treated as aware of anything of which they ought reasonably to be aware); or

21.3.3 if, or to the extent that, it concerns the terms of the Director's service contract (as defined in Section 227 of the Companies Act 2006) that have been or are to be considered by a meeting of the Directors, or by a committee of Directors appointed for the purpose under these Articles.

21.4 A Director shall not, save as otherwise agreed by the Director, be accountable to the Company for any benefit which the Director (or a person connected with the Director) derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any Relevant Company or for such remuneration, each as referred to in Article 21.1, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

21.5 For the purposes of this Article 21, "**Relevant Company**" shall mean:

21.5.1 the Company;

21.5.2 a subsidiary of the Company;

21.5.3 any holding company of the Company or a subsidiary of any such holding company;

21.5.4 any body corporate promoted by the Company; or

21.5.5 any body corporate in which the Company is otherwise interested.

22 Quorum and voting

22.1 A Director shall not be entitled to vote on any resolution in respect of any contract, transaction or arrangement, or any other proposal, in which the Director (or a person connected with the Director) has an interest, unless the interest is solely of a kind permitted by Article 21.1.

22.2 A Director shall not be counted in the quorum at a meeting of the Directors in relation to any resolution on which the Director is not entitled to vote.

23 Confidential information

23.1 Subject to Article 23.2, if a Director, otherwise than by virtue of the Director's position as Director, receives information in respect of which the Director owes a duty of confidentiality to a person other than the Company, the Director shall not be required:

23.1.1 to disclose such information to the Company or to the Directors, or to any Director, officer or employee of the Company; or

23.1.2 otherwise use or apply such confidential information for the purpose of or in connection with the performance of the Director's duties as a Director.

23.2 Where such duty of confidentiality arises out of a situation in which the Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, Article 23.1 shall apply only if the conflict arises out of a matter which has been authorised under Article 20 or falls within Article 21.

23.3 This Article 23 is without prejudice to any equitable principle or rule of law which may excuse or release the Director from disclosing information, in circumstances where disclosure may otherwise be required under this Article 23.

24 Directors' interests - general

24.1 For the purposes of Articles 20 to 24:

24.1.1 a person is connected with a Director if that person is connected for the purposes of Section 252 of the Companies Act 2006; and

24.1.2 an interest (whether of the Director or of such a connected person) of which a Director has no knowledge and of which it is unreasonable to expect the Director to have knowledge shall not be treated as an interest of that Director.

24.2 Where a Director has an interest which can reasonably be regarded as likely to give rise to a conflict of interest, the Director may, and shall if so requested by the Directors, take such additional steps as may be necessary or desirable for the purpose of managing such conflict of interest, including compliance with any procedures laid down from time to time by the Directors for the purpose of managing conflicts of interest generally and/or any specific procedures approved by the Directors for the purpose of or in connection with the situation or matter in question, including without limitation:

24.2.1 absenting themselves from any meetings of the Directors at which the relevant situation or matter falls to be considered; and

24.2.2 not reviewing documents or information made available to the Directors generally in relation to such situation or matter and/or arranging for such documents or information to be reviewed by a professional adviser to ascertain the extent to which it might be appropriate for the Director to have access to such documents or information.

24.3 The Company may by ordinary resolution ratify any contract, transaction or arrangement, or other proposal, not properly authorised by reason of a contravention of any provisions of Articles 20 to 24.

Appointment of Directors

25 Methods of appointing Directors

25.1 Any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a Director:

25.1.1 by ordinary resolution;

25.1.2 by a decision of the Directors; or

25.1.3 by a notice given in accordance with Article 27.

25.2 In any case where, as a result of death, the Company has no shareholders and no Directors, the personal representatives of the last shareholder to have died have the right, by notice in writing, to appoint a person to be a Director.

25.3 For the purposes of Article 25.2, where 2 or more shareholders die in circumstances rendering it uncertain who was the last to die, a younger shareholder is deemed to have survived an older shareholder.

26 Termination of Director's appointment

26.1 A person ceases to be a Director as soon as:

26.1.1 that person ceases to be a Director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;

26.1.2 a bankruptcy order is made against that person;

26.1.3 a composition is made with that person's creditors generally in satisfaction of that person's debts;

26.1.4 a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;

26.1.5 notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms;

26.1.6 that person is absent from meetings of Directors for six months without permission and the Directors have resolved that that person should cease to be a Director;

26.1.7 notice of the Director's removal is given in accordance with Article 27; or

26.1.8 notice of termination is served or deemed served upon the Director and that notice is given by all the other Directors for the time being.

26.2 If a Director holds an appointment to an executive office which automatically terminates on termination of the Director's office as a Director, the Director's removal from office pursuant to this Article 26 shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between the Director and the Company.

27 Appointment and removal of Director by majority shareholders

A shareholder or shareholders holding in aggregate a majority of the nominal value of the shares may, by notice to the Company, appoint any person to be a Director to fill a vacancy or to be an additional Director and/or terminate any Director's appointment.

28 Directors' remuneration

28.1 The ordinary remuneration of the Directors (which shall be deemed to accrue from day to day) shall be determined by the Directors, except that such remuneration shall not exceed:

28.1.1 £4,000,000 per annum in aggregate; or

28.1.2 such higher amount as may from time to time be determined by ordinary resolution.

28.2 Such ordinary remuneration shall (unless otherwise provided by ordinary resolution) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to remuneration in proportion to the period during which such Director has held office.

28.3 Any Director who holds any executive office (including for this purpose the office of chair or deputy chair whether or not such office is held in an executive capacity), or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the directors may determine in their discretion. Such extra remuneration or other benefits shall be in addition to, or in substitution for, any or all of a Director's entitlement to ordinary remuneration under Articles 28.1 and 28.2.

29 Directors' expenses

29.1 The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at:

29.1.1 meetings of Directors or committees of Directors;

29.1.2 general meetings; or

29.1.3 separate meetings of the holders of any class of shares or of debentures of the Company,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

29.2 The Directors shall have power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director or ex-Director, and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

30 Appointment of executive Directors

30.1 The Directors may from time to time appoint one or more of their number to be the holder of any executive office (including, where considered appropriate, the office of Chair) on such terms and for such period as they may (subject to the Companies Acts) resolve and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.

30.2 The appointment of any Director to the office of Chair or Managing Director shall automatically terminate if the Director ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between the Director and the Company.

30.3 The appointment of any Director to any other executive office shall not automatically terminate if the Director ceases to be a Director for any reason, unless the contract or resolution under which the Director holds office shall expressly state otherwise, in which

event such termination shall be without prejudice to any claim for damages for breach of any contract of service between the Director and the Company.

Alternate Directors

31 Alternate Directors

- 31.1** Any Director (the “**appointor**”) may at any time appoint any person (including another Director) to be the Director’s alternate (the “**Alternate**” or the “**Alternate Director**”) and may at any time terminate such appointment.
- 31.2** The appointment or termination of appointment of an Alternate Director must be made by notice in writing signed by the appointor or in any other manner approved by the Directors.
- 31.3** The notice must identify the proposed Alternate and, in the case of an appointment, contain a statement signed by the proposed Alternate stating that the proposed Alternate is willing to act as the Alternate of the Director giving the notice.
- 31.4** The appointment of an Alternate Director shall terminate:
- 31.4.1** when the appointor revokes the appointment by notice to the Company specifying when it is to terminate;
 - 31.4.2** on the occurrence in relation to the Alternate of any event which if it happened to the Alternate’s appointor, would result in the termination of the appointor’s appointment as a Director;
 - 31.4.3** on the death of the Alternate’s appointor; or
 - 31.4.4** if the Alternate’s appointor ceases to be a Director.
- 31.5** An Alternate Director shall be entitled to receive notices of meetings of the Directors and of any committee of the Directors of which the Alternate’s appointor is a member and shall be entitled to attend and vote as a Director at any such meeting and be counted in the quorum at any such meeting at which the Alternate’s appointor is not personally present and generally at such meetings to perform all functions of the Alternate’s appointor as a Director. For the purposes of the proceedings at such meetings, the provisions of these Articles shall apply as if the Alternate Director (instead of the Alternate’s appointor) were a Director.
- 31.6** If an Alternate is also a Director or shall attend any such meeting as an Alternate for more than one Director, the Alternate’s voting rights shall be cumulative but the Alternate shall not be counted more than once for the purposes of the quorum.
- 31.7** If the Alternate’s appointor is for the time being temporarily unable to act through ill health or disability an Alternate’s signature to any resolution in writing of the Directors shall be as effective as the signature of the Alternate’s appointor.
- 31.8** This Article 31 shall also apply (with such changes as are necessary) to such extent as the Directors may from time to time resolve to any meeting of any committee of the Directors of which the appointor of an Alternate Director is a member.
- 31.9** An Alternate Director shall not (except as otherwise provided in this Article 31) have power to act as a Director, nor shall the Alternate Director be deemed to be a Director for the

purposes of these Articles, nor shall the Alternate Director be deemed to be the agent of the Alternate Director's appointor.

31.10 An Alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent as if the Alternate Director were a Director.

31.11 An Alternate shall not be entitled to receive remuneration from the Company in respect of the Alternate's appointment as Alternate Director except to the extent the Alternate's appointor directs the Company to pay to the Alternate some of the remuneration otherwise payable to that Director.

Governor

32 Governor

The Directors may at any time appoint any Director to the office of Governor. They can decide on the duration of this appointment and on its terms. The Directors may also terminate or vary such appointment at any time.

Secretary

33 Secretary

The Company shall have a Secretary who shall be appointed on such terms as the Directors think fit. Any Secretary so appointed may at any time be removed from office by the Directors, but without prejudice to any claim for damages for breach of any contract of service between the Secretary and the Company.

Part 3 Shares and Distributions

Ordinary Shares

34 Ordinary Shares

34.1 The rights of the Company's Ordinary Shares to income and capital are as follows:

34.1.1 Rights to income

Any profits of any financial year which the Directors or Ordinary Shareholders (subject to Article 60) decide to distribute to the Ordinary Shareholders will be distributed in proportion to the amounts paid up on their Ordinary Shares. This is subject to the rights of any other class of shares which then exist.

34.1.2 Rights to capital

If there is a return of capital because the Company is wound up, the Company's assets which are left after paying its liabilities will be distributed to the Ordinary Shareholders in proportion to the amounts paid up on their Ordinary Shares. This is subject to the rights of any other class of shares which then exist.

Preference Shares

35 The rights of the Preference Shares

35.1 The rights attaching to the 9¼ per cent. Preference Shares, the 9¾ per cent. Preference Shares, the Class A Perpetual Preference Shares and the Class B Perpetual Preference Shares are set out in Articles 35.2, 35.3, 35.4 and 35.5 respectively. As regards any other series of Preference Shares (other than the Initial Preference Shares and the Perpetual Preference Shares), the rights thereof shall be determined in accordance with Articles 35.6 to 35.9 inclusive and Articles 36 to 42 inclusive. In the event of any conflict or inconsistency between the respective provisions of Articles 35.2, 35.3, 35.4 and 35.5 and any other Articles, as regards the rights of and the restrictions which apply to the 9¼ per cent. Preference Shares, the 9¾ per cent. Preference Shares, the Class A Perpetual Preference Shares and the Class B Perpetual Preference Shares respectively, the provisions of Articles 35.2, 35.3, 35.4 and 35.5 shall prevail.

35.2 The rights attaching to the 9¼ per cent. Preference Shares shall be as follows:-

35.2.1 Income

- (i) The 9¼ per cent. Preference Shares shall (subject to the further provisions of this Article) entitle the Preference Shareholders holding the same to receive a fixed non-cumulative preferential dividend (hereinafter called the "**Preference Dividend**"), which shall be calculated at the rate of 9¼ per cent. per annum (exclusive of any imputed tax credit available to such Preference Shareholders) on the amounts (excluding any premium) from time to time paid up or credited as paid up thereon. The Preference Dividend shall be payable in each year in equal half-yearly instalments on 31st May in respect of the half-yearly period ending on the preceding 28th February (or in a leap year 29th February) and on 30th November in respect of the half-yearly period ending on the preceding 31st August. The Preference Dividend payable in respect of any financial year shall be paid in priority to the payment of any dividend on the Ordinary Shares in respect of that financial year.
- (ii) The 9¼ per cent. Preference Shares in issue shall rank equally for dividend with any further Preference Shares created and/or issued pursuant either to Article (vi) below or to Article 35.2.4 and otherwise in priority to any other shares of the Company.
- (iii) If, on any date on which an instalment of the Preference Dividend would fall to be paid under Article (i) above, the distributable profits and distributable reserves of the Company are together insufficient to enable payment in full to be made of such instalment and, if applicable, of any instalments of dividends payable on such date on any other Preference Shares ranking equally with the 9¼ per cent. Preference Shares as regards dividend, then none of the said instalments shall be paid. If it shall subsequently appear that any instalment of the Preference Dividend or of any such other preferential dividend which has been paid should not, in accordance with the provisions of this Article, have been so paid, then provided the Directors shall have acted in good faith, they shall not incur any liability for any loss

which any Shareholder may suffer in consequence of such payment having been made.

(iv) Where any instalment of the Preference Dividend is payable in terms of the foregoing provisions of this Article, the Directors shall resolve to make payment of such instalment, provided however that such instalment shall not be payable if in the judgement of the Directors the payment of such instalment would breach or cause a breach of the capital adequacy requirements of the FSA from time to time applicable to the Company.

(v) Subject to Article (vi) below, the 9¼ per cent. Preference Shares shall carry no further rights to participate in the profits and reserves of the Company other than the Preference Dividend and if on any occasion a half-yearly instalment of the Preference Dividend is not paid for the reasons described in Article (iii) or Article (iv) above, the holders of 9¼ per cent. Preference Shares shall have no claim in respect of such shortfall.

(vi)

(a) The provisions of this Article shall apply where any instalment of the Preference Dividend is, for the reasons specified in Article (iii) or Article (iv) above, not to be payable and the amount (if any) at credit of the profit and loss account of the Company together with the amount of the reserves of the Company available for the purpose are sufficient to enable the allotments of additional Preference Shares referred to in the further provisions of this Article to be made in full.

(b) For the purposes of this Article:-

(I) "**Relevant Shares**" means 9¼ per cent. Preference Shares and any Preference Shares of the Company ranking equally with the 9¼ per cent. Preference Shares as regards dividend in respect of which an instalment of preference dividend which would have been payable on the same date as a Relevant Instalment on 9¼ per cent. Preference Shares is not to be paid, and

(II) "**Relevant Instalment**" means an instalment of preference dividend which is not to be paid on Relevant Shares on any occasion;

and where a Preference Shareholder holds Relevant Shares of more than one class, the provisions of this Article shall be interpreted and applied separately in respect of each class of Relevant Shares held by him.

(c) Each Preference Shareholder of Relevant Shares shall, on the date for payment of the Relevant Instalment had such instalment been paid in cash, be allotted such additional nominal amount of Preference Shares of the class in question, credited as fully paid, as is equal to an amount determined by multiplying the cash amount of the Relevant Instalment that would have been payable to him, had such instalment been payable in cash, by four-thirds and rounding the resulting sum down to the nearest integral multiple of £1. A

Preference Shareholder receiving an allotment of additional Preference Shares in terms of this Article shall not be entitled to receive any part of the Relevant Instalment relating to Relevant Shares of that class in cash.

- (d) For the purpose of paying up Preference Shares to be allotted on any occasion pursuant to this Article, the Directors shall capitalise out of the sums standing to the credit of the profit and loss account of the Company and/or to the credit of the Company's reserve accounts (including share premium account) available for the purpose, as the Directors may determine, a sum equal to the aggregate nominal amount of the additional Preference Shares then to be allotted and apply the same in paying up in full the appropriate amount of unissued Preference Shares of the class or classes in question.
- (e) The additional Preference Shares so allotted shall rank equally in all respects with the fully paid Relevant Shares of the same class then in issue save only as regards participation in the Relevant Instalment.
- (f) The Directors may undertake and do such acts and things as they may consider necessary or expedient for the purpose of giving effect to the provisions of this Article.

35.2.2 Capital

- (i) On a distribution of assets on a winding-up of the Company, Preference Shareholders holding 9¼ per cent. Preference Shares shall in respect thereof be entitled to receive, out of the surplus assets remaining after payment of the Company's liabilities, an amount equal to the amount paid up or credited as paid up on each 9¼ per cent. Preference Share (excluding any premium paid to the Company in respect thereof).
- (ii) In addition to the amount repayable on each 9¼ per cent. Preference Share pursuant to Article (i) above there shall be payable:-
 - (a) the amount of any half-yearly instalment of the Preference Dividend which is properly payable in accordance with Article 35.2.1 in respect of a period ending prior to the date of commencement of the winding-up of the Company but in respect of which the date for payment had not occurred prior to the date of such commencement; and
 - (b) a sum equal to the Preference Dividend which would have been payable by the Company in accordance with Article 35.2.1 calculated at the annual rate specified in Article (i) of Article 35.2.1 in respect of the number of days included in the period commencing with whichever of 1st March or 1st September shall more recently have occurred prior to the date of commencement of the winding-up of the Company and ending with the date of such commencement, as though such period had been one in relation to which a half-yearly instalment of the Preference Dividend would have been payable pursuant to Article 35.2.1(i), but subject always to the provisions of Articles 35.2.1(iii), 35.2.1(iv) and 35.2.1(v).

- (iii) The amounts payable or repayable under Articles 35.2.2(i) and (ii) in the event of a winding-up of the Company shall be so paid equally with any amounts payable or repayable in that event upon or in respect of any further Preference Shares of the Company ranking equally with the 9¼ per cent. Preference Shares as regards repayment of capital, and shall be so paid in priority to any repayment of capital on any other class of shares of the Company. The holders of 9¼ per cent. Preference Shares shall not be entitled in respect thereof to any further or other right of participation in the assets of the Company upon a winding-up.

35.2.3 Voting

The holders of 9¼ per cent. Preference Shares shall be entitled to receive notice of and to attend any General Meeting of the Company but shall not, in respect of the 9¼ per cent. Preference Shares, be entitled to speak and/or vote upon any resolution other than:-

- (i) a resolution for, or in relation to, the winding-up of the Company; or
- (ii) a resolution varying, altering or abrogating any of the rights, privileges, limitations or restrictions attached to the 9¼ per cent. Preference Shares (passed in accordance with Article 45)

unless at the date of such meeting the most recent half-yearly instalment of the Preference Dividend due to be paid prior to such meeting shall not have been paid in cash.

Each holder of 9¼ per cent. Preference Shares present in person (including by a corporate representative authorised in accordance with Article 81 or by proxy and entitled to vote shall have one vote on a show of hands and on a poll shall have one vote for each 9¼ per cent. Preference Share held by him.

35.2.4 Further Shares

- (i) Save as provided in Article 35.2.1(vi) and in this Article, the Company shall not create or issue any further shares ranking as regards participation in the profits or assets of the Company equally with or in priority to the 9¼ per cent. Preference Shares.
- (ii) The Company may from time to time create and issue further Preference Shares ranking equally as regards participation in the profits and assets of the Company with the 9¼ per cent. Preference Shares but so that any such further Preference Shares may carry as regards participation in the profits and assets of the Company only rights identical in all respects to those attaching to the 9¼ per cent. Preference Shares or rights differing therefrom in one or more of the following respects, viz:-
 - (a) the rate of dividend may differ;
 - (b) the dates for payment of dividend and/or the periods by reference to which dividend is payable may differ

provided that an issue of such further Preference Shares may only be made if the Auditors shall have certified in writing to the Company that immediately following such issue (i) the aggregate nominal amount of the

9¼ per cent. Preference Shares in issue and all further Preference Shares then in issue and ranking equally therewith will not exceed an amount equal to 25 per cent. of the Adjusted Capital and Reserves (as hereinafter defined); and (ii) the average of the profits after taxation and before extraordinary items and dividends, on an annualised basis, for the three most recent financial years of the Company to have ended prior to the date of such issue, as shown in the audited consolidated accounts relating thereto, shall exceed four and one half times the aggregate annual amount of the dividends (exclusive of any imputed tax credit available to shareholders) payable on the 9¼ per cent. Preference Shares in issue and any further Preference Shares of the Company which are in issue immediately following such issue and rank equally with the 9¼ per cent. Preference Shares.

For the purposes of these Articles:-

(a) **"the Adjusted Capital and Reserves"** means the aggregate from time to time of:-

- (I) the amount paid up or credited as paid up on the issued share capital of the Company; and
- (II) the amount standing to the credit of reserve accounts, including any share premium account and revaluation reserve and the credit balance on profit and loss account

all as shown in the then latest audited consolidated balance sheet dealing with the state of affairs of the Company and such of its subsidiaries as are dealt with in the audited consolidated accounts (the **"Balance Sheet"**) but after

- (I) deducting from the aggregate any debit balance on profit and loss account subsisting at the date of the Balance Sheet except to the extent that deduction has already been made on that account,
- (II) deducting any amount referable to goodwill (arising other than on consolidation) or any other intangible asset (as that term falls to be interpreted for the purpose of the preparation of a balance sheet in accordance with Schedule 4 to the CA 1985),
- (III) deducting an amount equal to any distribution (other than distributions to any member of the Group) out of the profits accrued prior to the date of the Balance Sheet, in so far as not provided for therein,
- (IV) excluding any sums set aside for future taxation (including deferred taxation),
- (V) excluding any amounts attributable to outside interests in subsidiaries,
- (VI) making such adjustments as may be appropriate to reflect any variation in the amount of the paid up share capital or

share premium account since the date of the Balance Sheet, and

- (VII) making such adjustments as may be appropriate to reflect the issue of the further Preference Shares then to be issued;
 - (b) the Company may from time to time change the accounting conventions on which the audited consolidated accounts are based provided that any new convention adopted complies with the requirements of the CA 1985; and
 - (c) a certificate or report by the Auditors of the Company as to the amount of the Adjusted Capital and Reserves or to the effect that a limit imposed by this Article has not been or will not be exceeded at any particular time or times shall be conclusive evidence of the amount or of that fact.
- (iii) The creation or issue of further Preference Shares ranking equally with the 9¼ per cent. Preference Shares as provided for under Article 35.2.4(ii) above (and the creation or issue of, or the variation, alteration or abrogation of or addition to the rights attaching to, any shares of the Company ranking after the 9¼ per cent. Preference Shares as regards participation in the profits and assets of the Company) shall be deemed not to be a variation, alteration or abrogation of the rights, privileges, limitations or restrictions attached to the 9¼ per cent. Preference Shares. If any further Preference Shares of the Company shall have been issued, then any subsequent variation, alteration or abrogation of or addition to the rights, privileges, limitations or restrictions attaching to any of such further Preference Shares shall be deemed not to be a variation, alteration or abrogation of the rights attaching to the 9¼ per cent. Preference Shares provided that the rights attaching to such further Preference Shares thereafter shall be such that the creation and issue by the Company of further Preference Shares carrying those rights would have been permitted under Article 35.2.4(ii) above.

35.3 The rights attaching to the 9¾ per cent. Preference Shares shall be as follows:-

9¾ per cent. Preference Shares in issue shall rank in all respects equally with the 9¼ per cent. Preference Shares and carry the same rights as are conferred on the 9¼ per cent. Preference Shares in accordance with these Articles save that:-

- 35.3.1** the dividend attaching to the 9¾ per cent. Preference Shares shall be calculated at the rate of 9¾ per cent. per annum (exclusive of any imputed tax credit available to the holders thereof) on the amounts (excluding any premium) from time to time paid up or credited as paid up thereon; and
- 35.3.2** the provisions of these Articles shall be interpreted as applying *mutatis mutandis* to 9¾ per cent. Preference Shares from their date of issue as though references herein to 9¼ per cent. Preference Shares included a reference to such 9¾ per cent. Preference Shares for the time being in issue and references herein to the Preference Dividend (as referred to in Article 35.2.1(i)) included a reference to the dividend payable on such 9¾ per cent. Preference Shares for the time being in issue, save that:-

- (i) the provisions of Article 35.2.1(i) shall apply subject to such modifications as are required to give effect to the rate of dividend attaching to the 9¾ per cent. Preference Shares set out above, and
- (ii) the provisions of Article 66.5 shall be applied separately in relation to the 9¾ per cent. Preference Shares and the other classes of Preference Shares in issue at the relevant time.

35.4 The rights attaching to the Class A Perpetual Preference Shares shall be as follows:

35.4.1 Definitions

In this Article 35.4, except to the extent that the context otherwise requires and notwithstanding anything to the contrary in Article 2:

"Actual/Actual Basis" means, in respect of any Dividend Period, the number of days from and including the day on which a Dividend was paid in respect of the immediately preceding Dividend Period to but excluding the day on which a Dividend is paid in respect of that Dividend Period, divided by the number of days in the Dividend Period multiplied by the number of Dividend Periods in the year. In respect of the Dividend Period in which the Issue Date occurs, the immediately preceding **"Dividend Period"** shall mean the period ending on whichever of 31st May and 30th November shall last have occurred prior to the Issue Date and the date on which a Dividend was paid in respect of that period shall be construed as the date on which a Distribution was paid in respect of the corresponding Distribution Period on the £250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A issued by Bank of Scotland Capital Funding L.P. (or would have been paid but for the restrictions under the terms of issue thereof) (**"Distribution"** and **"Distribution Period"** having the respective meanings attributed thereto by the terms of issue of the 8.117% Non-cumulative Perpetual Preferred Securities, Class A issued by Bank of Scotland Capital Funding L.P.). References to a Dividend being paid on a particular day shall include any day on which a Dividend would, but for the restrictions in Article 35.4.2, have been paid;

"Additional Amounts" has the meaning given to that term in Article 35.4.6;

"Bonus Shares" means, in relation to the Existing Preference Shares, such additional Preference Shares credited as fully paid as may require to be issued pursuant to these Articles to holders of Existing Preference Shares where an instalment of the preference dividend thereon is not paid for the reasons specified in these Articles;

"Calculation Agent" means such person as is appointed from time to time by the Company as calculation agent in connection with the Perpetual Preference Shares;

"Dividend Date" means 31st May and 30th November in each year;

"Dividend Period" means the period from (and including) whichever of 31st May and 30th November shall have last occurred prior to the Issue Date to (but excluding) the first Dividend Date and each period thereafter from (and including) one Dividend Date to (but excluding) the next following Dividend Date;

"Dividend Rate" means (i) in respect of each Dividend Period until 31st May 2010, 8.117 per cent. per annum; and (ii) in respect of each Dividend Period from 31st May 2010, a rate determined in accordance with Article 35.4.2(ii)(b) as being equal

to the sum of the Reference Rate in effect during the relevant Dividend Period plus the Margin;

"Dividends" has the meaning given to that term in Article 35.4.2 and **"Dividend"** has a corresponding meaning;

"Early Redemption Date" means any date designated for redemption for tax or regulatory reasons of the Perpetual Preference Shares as described under Articles 35.4.4(iii) or 35.4.4(iv);

"Existing Preference Shares" means the 9¼ per cent. Preference Shares, the 9¾ per cent. Preference Shares and shall include any further Preference Shares required to be issued pursuant to these Articles to the holders thereof where an instalment of the preference dividend thereon is not paid for the reasons specified in these Articles;

"Holder" means, in respect of the Perpetual Preference Shares, each person registered on the Register as the holder at the relevant time;

"Issue Date" means the date of issue of the Perpetual Preference Shares;

"Liquidating Distribution" means an amount equal to the Liquidation Preference together with any accrued but unpaid Dividend from and including the commencement of the Dividend Period in which the date of the winding-up falls (taking into account any interim liquidation distribution that may have been paid);

"Liquidation Preference" means the liquidation preference of £1,000 per £10 nominal of Perpetual Preference Shares;

"London Business Day" means a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business in London;

"Make Whole Amount" means an amount equal to the sum of (i) the present value of the Liquidation Preference at the next succeeding Optional Redemption Date plus (ii) the present values of the scheduled semi-annual non-cumulative Dividends from and including the Early Redemption Date to and including the next succeeding Optional Redemption Date in each case discounted to the Early Redemption Date at a rate equal to the sum of 0.50% and the gross redemption yield (as calculated by the Calculation Agent on the basis set out by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries, Vol. 105, Part 1, 1978, page 18 (as amended or updated) on a semi-annual compounding basis (rounded to four decimal places) of such U.K. government gilt-edged security as has prior to the Early Redemption Date a maturity nearest to the next succeeding Optional Redemption Date (the "Relevant Gilt") with the price of the Relevant Gilt for this purpose being the arithmetic average of the bid and offered prices of the Relevant Gilt quoted (to four decimal places) at 3.00 pm (London time) on the fifth London Business Day prior to the Early Redemption Date by three brokers of gilts or gilt-edged market makers chosen by the Calculation Agent for the purpose on a dealing basis for settlement on the next London Business Day;

"Margin" means 3.85 per cent. per annum;

"Optional Redemption Date" means 31st May 2010 and each fifth anniversary thereafter;

"Optional Redemption Price" means an amount equal to the Liquidation Preference;

"Parity Obligations" means any other Preference Shares (other than the Existing Preference Shares) issued by the Company that are not expressly stated to rank in all material respects senior or junior to the Perpetual Preference Shares and any guarantee given or support agreement entered into by the Company in respect of any preference shares or other preferred securities (not constituting debt obligations) having in all material respects the same ranking as preference shares, issued by any Subsidiary that are not expressly stated to rank in all material respects senior or junior to the Perpetual Preference Shares;

"Paying and Transfer Agent(s)" means such entity or entities as is or are appointed from time to time by the Company as paying and transfer agent(s) and notified to the Holders in the manner described in Articles 83 and 84;

"Perpetual Preference Shares" means the Class A Perpetual Preference Shares and includes any further perpetual preference shares of the Company of the same class issued after the Issue Date and ranking equally with the Class A Perpetual Preference Shares as regards participation in the profits and assets of the Company;

"Redemption Condition" means that the consent of the FSA to the redemption of the Perpetual Preference Shares, if then required, has been obtained

"Redemption Date" means an Early Redemption Date or an Optional Redemption Date, as applicable;

"Reference Rate", "Reference Rate Determination Date", "Reference Rate Market Makers", "Reference Rate Period", "Reference Security" and "Reset Date" have the respective meanings given to such terms in Article 35.4.2(ii);

"Register" means the register of Holders;

"Registrar" means such entity appointed from time to time by **the Company** to act as registrar in relation to the Perpetual Preference Shares and notified to the holders in the manner described in Articles 83 and 84;

"Regulatory Event" means a change in any applicable law or regulation, or in the official interpretation or application thereof, which results in more than an insubstantial risk that for the purposes of the FSA's capital adequacy requirements applicable to banks in the United Kingdom at that time an amount equal to the total Liquidation Preference of the Perpetual Preference Shares will not be included in the Tier 1 capital of the Company;

"Regulatory Redemption Price" means the higher of an amount equal to the Liquidation Preference and the Make Whole Amount determined by the Calculation Agent;

"Relevant Proportion" means (a) in relation to any partial payment of a Dividend, the amount available for payment of dividend (after deduction of the aggregate amount of the dividend to be paid on the Existing Preference Shares on that

Dividend Date) in accordance with these Articles divided by the sum of (i) the total amount originally scheduled to be paid by way of Dividend on the Perpetual Preference Shares on the relevant Dividend Date and (ii) the sum of any dividends or other distributions or payments in respect of Parity Obligations due and payable on that Dividend Date, converted where necessary into the same currency in which distributable reserves are reported by the Company; and (b) in relation to any partial payment of any Liquidating Distribution, the total amount available for any such payment and for making any liquidating distribution on any Parity Obligations divided by the sum of (i) the full Liquidating Distribution before any reduction or abatement hereunder and (ii) the amount (before any reduction or abatement hereunder) of the full liquidating distribution on any Parity Obligations, converted where necessary into the same currency in which liquidation payments are made to creditors of the Company;

"Stock Exchange" means the Luxembourg Stock Exchange or such other stock exchange as may be approved by the Company on which the Perpetual Preference Shares may be listed from time to time;

"Subsidiary" means any entity which is for the time being a subsidiary or a subsidiary undertaking of the Company (within the respective meanings of the CA 1985 and Companies Act 1989);

"Tax Event" means that, as a result of a change in any law or regulation of the United Kingdom, or in any treaty to which the United Kingdom is a party, or in the official interpretation or application of any law, regulation or treaty by any relevant body in the United Kingdom payments to Holders would be subject to deduction or to withholding tax or would give rise to any obligation to account for any tax in the United Kingdom; and

"Tax Redemption Price" means an amount equal to the Liquidation Preference.

35.4.2 Dividends

- (i) Subject as provided in Article 35.4.2(iii), non-cumulative preferential cash dividends on the Perpetual Preference Shares ("**Dividends**") shall accrue from whichever of 31st May and 30th November shall last have occurred prior to the Issue Date (or, in the case of any further perpetual preference shares issued so as to rank equally with the Perpetual Preference Shares as regards participation in the profits and assets of the Company, their respective dates of issue or such other date or dates as the Directors may prior to their issue determine) and shall be payable in arrear on each Dividend Date.
- (ii) Dividends in respect of any Dividend Period will be payable on each £10 nominal of Perpetual Preference Shares at the applicable Dividend Rate on the amount of the Liquidation Preference. Dividends will be non-cumulative and will accrue on a day by day basis. Accrued Dividends in respect of each Dividend Period shall be calculated on an Actual/Actual Basis.
 - (a) (If applicable) Dividends in respect of periods from (and including) whichever of 31st May and 30th November shall last have occurred prior to the Issue Date to (but excluding) 31st May 2010 will be calculated at a Dividend Rate of 8.117 per cent. per annum.

- (b) Dividends in respect of periods from (and including) 31st May 2010 will be calculated at a Dividend Rate equal to the sum of the Reference Rate plus the Margin. On each Reference Rate Determination Date, the Calculation Agent shall calculate the Reference Rate in accordance with the following:

"Reference Rate" shall mean, in respect of any Reference Rate Period, the gross redemption yield (as calculated by the Calculation Agent on the basis set out by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries, Vol. 105, Part 1, 1978, page 18 (as amended or updated)) on a semi-annual compounding basis (rounded, if necessary, to four decimal places) of the Reference Security, with the price of the Reference Security for this purpose being the arithmetic average of the bid and offered prices of the Reference Security quoted (to four decimal places) by the Reference Rate Market Makers at 3.00 p.m. (London time) on the relevant Reference Rate Determination Date on a dealing basis for settlement on the next following London Business Day;

"Reference Rate Determination Date" shall mean the day that is five London Business Days prior to the beginning of each Reference Rate Period;

"Reference Rate Market Makers" shall mean three brokers of gilts and/or gilt-edged market makers chosen by the Calculation Agent for the purpose of calculating the Reference Rate;

"Reference Rate Period" shall mean each five-year period from (and including) one Reset Date to (but excluding) the next Reset Date;

"Reference Security" shall mean such U.K. government security having a maturity date on or about the last day of the relevant Reference Rate Period as may be selected by the Calculation Agent with the advice of the Reference Rate Market Makers; and

"Reset Date" shall mean 31st May 2010 and each fifth anniversary thereafter.

The Calculation Agent will at or as soon as practicable after each time at which the Reference Rate is to be determined, determine the Reference Rate for the relevant Reference Rate Period. Each such determination will be notified to the Company, the Registrar, the Stock Exchange and the Holders before the commencement of the relevant Reference Rate Period.

In the event that the Issue Date occurs after a Reset Date, the Dividend Rate shall until the next Reset Date be calculated on the basis of the Distribution Rate applicable immediately prior to the Issue Date to the £250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A, issued by Bank of Scotland Capital Funding L.P. (as "Distribution Rate" is defined in the terms of issue of such 8.117% Non-cumulative Perpetual Preferred Securities, Class A).

- (iii) Dividends will be payable out of the Company's own legally available resources on each Dividend Date and shall be subject to the prior ranking for dividend of the Existing Preference Shares. Notwithstanding any resources legally available for distribution by it, the Company will not, save to the extent provided in Article 35.4.2(iv), pay a Dividend or make any payment in respect of a Dividend on the Perpetual Preference Shares if, on the relevant Dividend Date, the Company is prevented by applicable U.K. banking regulations or other requirements from making payment in full of Dividends or dividends or other distributions on its Parity Obligations.
- (iv) If, whether by reason of the provisions of Article 35.4.2(iii) or any equivalent regulation or term of a Parity Obligation, on any Dividend Date Dividends are not paid in full on the Perpetual Preference Shares or dividends or other distributions are not paid in full on any Parity Obligations, but there are sufficient distributable reserves (after deduction of the aggregate amount of the dividend to be paid on the Existing Preference Shares on the relevant Dividend Date) so as to allow payment of part of any Dividend, then each Holder will be entitled to receive the Relevant Proportion of any such Dividend. No Holder shall have any claim in respect of any Dividend or part thereof not payable as a result of the limitations set out in Article 35.4.2(iii). Accordingly, such amount will not cumulate for the benefit of the Holders or entitle the Holders to any claim in respect thereof against the Company.
- (v) In the event that any Dividend is not paid in full as a result of Article 35.4.2(iii), the Company will not (a) declare or pay any dividends or other distributions in respect of its Ordinary Shares or (if permitted) effect any repurchase of its Ordinary Shares or any other security of the Company ranking junior to the Perpetual Preference Shares (or contribute any moneys to a sinking fund for the redemption of any such shares or securities) until after the second consecutive following Dividend Date on which a Dividend in respect of the Perpetual Preference Shares is paid in full (or an amount equivalent to the Dividends to be paid in respect of the next two Dividend Periods has been paid or irrevocably set aside in a separately designated trust account for payment to the Holders) or (b) (if permitted) repurchase or redeem Parity Obligations which are securities until after the second consecutive following Dividend Date on which a Dividend in respect of the Perpetual Preference Shares is paid in full (or an amount equivalent to the Dividends to be paid in respect of the next two Dividend Periods has been paid or irrevocably set aside in a separately designated trust account for payment to the Holders).
- (vi) In the event that any Dividend cannot be paid in full, the Company will notify or procure notification to the Stock Exchange, the Registrar and the Paying and Transfer Agent(s), and to Holders in accordance with Articles 83 and 84, of the fact and of the amount, if any, to be paid in respect of that Dividend.
- (vii) Save as described above, Holders will have no right to participate in the profits of the Company.

35.4.3 Liquidating Distributions

- (i) In the event of the commencement of any winding up of the Company before the redemption of the Perpetual Preference Shares, the Holders at that time will be entitled to receive the Liquidating Distribution, in respect of each £10 nominal of Perpetual Preference Shares held, out of the assets of the Company available for distribution to such Holders. Such entitlement will arise (i) before any distribution of assets is made in respect of the Ordinary Shares or any other security or obligation of the Company which is subordinated to the Perpetual Preference Shares and (ii) equally with the equivalent claims under all outstanding Parity Obligations but (iii) after the claims of depositors and all other creditors of the Company and holders of obligations of the Company which are not Parity Obligations (nor subordinated to the Perpetual Preference Shares) and of the holders of the Existing Preference Shares.
- (ii) If the Liquidating Distribution and any other such liquidation distributions in respect of Parity Obligations cannot be made in full by reason of the limitation described in Article 35.4.3(i) or any equivalent regulation or term of a Parity Obligation, but there are funds available for payment so as to allow payment of part of the Liquidating Distribution then each Holder will be entitled to receive the Relevant Proportion of the Liquidating Distribution. After payment of the Liquidating Distribution, or the Relevant Proportion thereof, if applicable, the Holders will have no right or claim to any of the remaining assets of the Company.

35.4.4 Redemption

- (i) The Perpetual Preference Shares are perpetual shares of the Company. The Perpetual Preference Shares may be redeemed, at the option of the Company only, in the circumstances set out in Articles 35.4.4(ii), 35.4.4(iii) and 35.4.4(iv).
- (ii) The Perpetual Preference Shares may be redeemed, in whole but not in part, at the option of the Company, subject to satisfaction of the Redemption Condition and to applicable law, on the Optional Redemption Date upon not less than 30 nor more than 60 days' notice to the Holders specifying the Optional Redemption Date (which notice shall be irrevocable). Upon the expiry of such notice, the Company shall be bound to redeem the Perpetual Preference Shares in accordance with the provisions set out in Articles 35.4.4(v) to 35.4.4(viii).
- (iii) If at any time a Tax Event has occurred and is continuing, the effect of which cannot be avoided by the Company taking reasonable measures available to it, then the Perpetual Preference Shares may be redeemed, in whole but not in part, at the option of the Company, subject to satisfaction of the Redemption Condition and to applicable law, at any time upon not less than 30 nor more than 60 days' notice to the Holders specifying the Early Redemption Date (which notice shall be irrevocable).

Prior to the service of any notice of redemption pursuant to the foregoing, the Company shall deliver to the Registrar a certificate signed by two Directors stating that the Company is entitled to effect such redemption of the Perpetual Preference Shares and an opinion of counsel to the

Company experienced in such matters to the effect that a Tax Event has occurred. Upon the expiry of such notice, the Company shall be bound to effect the redemption of the Perpetual Preference Shares in accordance with the provisions set out in Articles 35.4.4(v) to 35.4.4(viii).

- (iv) If at any time a Regulatory Event has occurred and is continuing, the Perpetual Preference Shares may be redeemed, in whole but not in part, at the option of the Company, subject to satisfaction of the Redemption Condition and to applicable law, at any time upon not less than 30 nor more than 60 days' notice to the Holders specifying the Early Redemption Date (which notice shall be irrevocable). Where a notice of redemption has been given in accordance with the foregoing sentence, the Company shall notify Holders of the Regulatory Redemption Price as soon as reasonably practicable after it has been determined (and in any event not later than the second London Business Day prior to the Early Redemption Date).

Prior to the service of any notice of redemption pursuant to the foregoing, the Company shall deliver to the Registrar a certificate signed by two Directors stating that the Company is entitled to effect such redemption of the Perpetual Preference Shares and an opinion of counsel to the Company experienced in such matters to the effect that a Regulatory Event has occurred. Upon the expiry of such notice, the Company shall be bound to effect the redemption of the Perpetual Preference Shares in accordance with the provisions set out in Articles 35.4.4(v) to 35.4.4(viii).

- (v) In order to effect redemption of the Perpetual Preference Shares as described in Articles 35.4.4(ii), 35.4.4(iii) and 35.4.4(iv) the Company shall pay to the Holders an amount equal to the Optional Retirement Price in the case of Economic Retirement under Article 35.4.4(ii), the Tax Retirement Price in the case of redemption under Article 35.4.4(iii) or the Regulatory Retirement Price in the case of redemption under Article 35.4.4(iv), in any such case together with any accrued but unpaid Dividend in respect of the Dividend Period in which the Redemption Date falls. Payment on redemption may be made or paid only in respect of all (and not some only) of the issued Perpetual Preference Shares.
- (vi) Payment on redemption shall, subject to the consent of the FSA, if then required, and to these Articles and applicable law, be paid in cash.
- (vii) Once a notice to effect redemption of the Perpetual Preference Shares has been given under any of Articles 35.4.4(ii), 35.4.4(iii) and 35.4.4(iv), no similar notice may be given under either of the other Articles. If at any time the Perpetual Preference Shares may be redeemed under more than one such Article, the Directors may elect under which Article the notice of redemption is to be given.
- (viii) If, and to the extent, so required by the FSA, the Company may not effect any redemption of any Perpetual Preference Shares unless the FSA gives its prior written consent, and the FSA may impose conditions on the Company in respect of any such redemption.

35.4.5 Ranking

Unless with the prior consent of the Holders in accordance with these Articles, the Company shall not so long as the Perpetual Preference Shares have not been redeemed (1) issue any Preference Shares which would rank (as regards (a) dividends and/or (b) distributions on a return of assets) senior to the Perpetual Preference Shares (other than any Bonus Shares) nor (2) give any guarantee or enter into any support agreement in respect of any preference shares or other preferred securities (not constituting debt obligations) having in all material respects the same ranking as preference shares, issued by any Subsidiary, which guarantee or support agreement would rank (as regards (a) dividends and/or (b) distributions on a return of assets) senior to the Perpetual Preference Shares, unless in any such case the rights of the Perpetual Preference Shares are altered so that they rank equally in all material respects with any such Preference Shares or other guarantee or support agreement as the case may be.

35.4.6 Additional Amounts

All payments in respect of the Perpetual Preference Shares by the Company will be made without withholding or deduction for, or on account of, any tax in the United Kingdom, or any political sub-division thereof or by any authority therein or thereof having power to tax unless the withholding or deduction of such tax is required by law. In the event of such withholding or deduction, the Company will declare and pay, if permitted by the FSA, as a further dividend, such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Perpetual Preference Shares in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder (or a third party on his behalf) to the extent that such tax is imposed or levied by virtue of such Holder (or the beneficial owner of Perpetual Preference Shares) having some connection with the United Kingdom other than being a Holder (or beneficial owner) of Perpetual Preference Shares, and except that the Company's obligation to pay any such amounts is subject to these Articles and to the limitations provided in Articles 35.4.2(iii) and 35.4.3(i).

35.4.7 Payments

- (i) Dividends will be payable subject to these Articles on the relevant Dividend Date (or, where any Dividend Date is not a London Business Day, on the next London Business Day immediately following the Dividend Date, without interest in respect of such delay) to the Holders of record as they appear on the Register on the relevant record date, which will be five London Business Days prior to the relevant Dividend Date. If the Company gives notice of redemption pursuant to Articles 35.4.4(ii), 35.4.435.4.4(iii) and 35.4.435.4.4(iv) in respect of the Perpetual Preference Shares, then, on the Redemption Date, the Company shall procure that the Optional Redemption Price, the Tax Redemption Price or the Regulatory Redemption Price, as the case may be, will be paid by or on behalf of the Company to the Holders. Upon such payment, all rights of Holders to participate in the assets of the Company or to be returned any amount in respect of the Perpetual Preference Shares will be extinguished provided

holdings of Perpetual Preference Shares are redeemed in accordance with the foregoing.

- (ii) Subject to all applicable fiscal or other laws and regulations:
 - (a) each payment in respect of Dividends will be made by cheque and mailed on the relevant Dividend Date to the Holder of record at such Holder's address as it appears on the Register on the relevant record date for the Perpetual Preference Shares; and
 - (b) any payment of amounts in respect of the Optional Redemption Price, the Tax Redemption Price, the Regulatory Redemption Price or the Liquidating Distribution (or relevant proportion thereof) in respect of the Perpetual Preference Shares will be made by cheque against (if so required by the Company) presentation and surrender of the relevant certificate of entitlement at the office of the Registrar or any Paying and Transfer Agent,

provided, however, that a Holder may receive such payment by direct transfer arranged by a Paying and Transfer Agent if appropriate direct transfer instructions have been received by the Registrar in sufficient time prior to the relevant date of payment. Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a London Business Day, if the Holder is late in surrendering certificates (if required to do so) or if a cheque mailed in accordance with this Article arrives after the due date for payment.

In the event that payment of the Optional Redemption Price, the Tax Redemption Price or the Regulatory Redemption Price is improperly withheld or refused and not paid by the Company, Dividends on such Perpetual Preference Shares, subject as described in Article 35.4.2(iii), will continue to accrue, on a day by day basis compounding annually, from the Redemption Date to the date of actual payment of the Optional Redemption Price, the Tax Redemption Price or the Regulatory Retirement Price as the case may be.

- (iii) The Company will not, and will procure that no Subsidiary will, make any payment to Holders, or procure or permit to be made such a payment, in respect of the Perpetual Preference Shares, except for payments to which the Holders are expressly entitled under the terms of the Perpetual Preference Shares.
- (iv) The Company will maintain at all times whilst the Perpetual Preference Shares is in issue (a) a Paying and Transfer Agent outside the United Kingdom and (b) if and for so long as the Perpetual Preference Shares are listed on the Luxembourg Stock Exchange, a Paying and Transfer Agent in Luxembourg.

35.4.8 Voting Rights

- (i) Except as described below, the Perpetual Preference Shares shall not carry the right to receive notice of, nor to attend, speak or vote at, any

General Meeting of shareholders of the Company or of any class thereof, other than a meeting of shareholders holding Perpetual Preference Shares held in accordance with Article 45. At any such meeting, every shareholder holding Perpetual Preference Shares present in person (including by a corporate representative authorised in accordance with Article 81.1) and entitled to vote shall have one vote on a show of hands. On a poll taken in respect of a resolution put to a meeting of shareholders holding Perpetual Preference Shares, every such shareholder present in person or by proxy and entitled to vote shall have one thousand votes for each Perpetual Preference Share held by him.

- (ii) If for any two consecutive Dividend Periods, Dividends have not been paid in full on the Perpetual Preference Shares then Holders will be entitled to receive notice of and to attend, speak and vote at General Meetings of the Company. On a poll, shareholders holding Perpetual Preference Shares shall in such circumstances have one thousand votes for each Perpetual Preference Share held. Such rights to receive notice of and to attend, speak and vote at General Meetings will cease if, after they have arisen, (a) full dividend payments have been made on the Perpetual Preference Shares for the two previous consecutive Dividend Periods (or an amount equivalent to the full Dividends to be paid in respect of the next two Dividend Periods has been paid or irrevocably set aside in a separately designated trust account for payment to the Holders) or (b) the Perpetual Preference Shares are redeemed.
- (iii) The consent or sanction of Preference Shareholders holding Perpetual Preference Shares in accordance with Article 45 shall be required in order to give effect to any variation or abrogation of the rights, preferences and privileges of the Perpetual Preference Shares (including, without limitation, the authorisation or creation of any Preference Shares (other than any Bonus Shares) ranking as to participation in the profits or assets of the Company, senior to the Perpetual Preference Shares). No such sanction shall be required if the change is solely of a formal, minor or technical nature or is to correct an error or cure an ambiguity, provided that the change does not reduce the amounts payable to Holders, impose any obligation on the Holders or adversely affect their voting rights.
- (iv) Notwithstanding the foregoing, the Company may, without the consent or sanction of the Holders, take such action as is required in order:
 - (a) to allow an increase in the authorised or issued Perpetual Preference Shares or to authorise, create and issue one or more other classes of preferred shares of the Company ranking equally with the Perpetual Preference Shares as regards participation in the profits and assets of the Company; or
 - (b) to authorise, create and issue one or more other classes of shares in the Company ranking junior, as regards participation in the profits and assets of the Company, to the Perpetual Preference Shares.

- (v) No vote of the shareholders of the Company will be required for the redemption of the Perpetual Preference Shares in accordance with these Articles.
- (vi) For the purposes of Articles 35.4.2(v) and 35.4.8(ii), if a Distribution is not paid on the 8.117% Non-cumulative Perpetual Preferred Securities, Class A issued by Bank of Scotland Capital Funding L.P. for the Distribution Period(s) immediately preceding the Issue Date, such Distribution shall be deemed to have been a Dividend which has not been paid on the Perpetual Preference Shares in respect of Dividend Period(s) corresponding to the Distribution Period(s) (in this Article (vi) "**Distribution**" and "**Distribution Period**" shall have the respective meanings attributed thereto by the terms of issue of the 8.117% Non-cumulative Perpetual Preferred Securities, Class A issued by Bank of Scotland Capital Funding L.P.).

35.4.9 Notices

If and so long as the Perpetual Preference Shares are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices to Holders, as well as being given in accordance with the other provisions of these Articles, shall be published in a leading Luxembourg newspaper which is expected to be the Luxemburger Wort.

35.4.10 Form

The Perpetual Preference Shares will be issued in registered form.

35.4.11 Redenomination

- (i) In the event that the United Kingdom participates in the third stage of European economic and monetary union, the Company may, without the consent of Holders, on giving prior notice to the Stock Exchange and the Paying and Transfer Agent(s), and at least 30 days' prior notice to Holders, elect that, with effect from the date (the "**Redenomination Date**") so specified in the notice, the Liquidation Preference shall be redenominated in euro.
- (ii) The election will have effect as follows:
 - (a) the Liquidation Preference shall be deemed to be redenominated into euro at the rate for the conversion of sterling (including compliance with rules relating to rounding in accordance with applicable European Community Regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty establishing the European Community, as amended by the Treaty on European Union;
 - (b) if issued prior to the Redenomination Date, the payment obligations contained in any Perpetual Preference Shares issued in definitive certificated form will become void on that date although those certificates will continue to constitute valid exchange obligations of the Company. New euro-denominated certificates in respect of such Perpetual Preference Shares will be issued in exchange for certificates denominated in sterling at the rate specified in Article

(ii)(a) above in such manner as the Paying and Transfer Agent(s) may specify and as shall be notified to the Holders. No such notice of exchange may be given less than 15 days prior to any date for any payment on the Perpetual Preference Shares;

- (c) after the Redenomination Date, all payments in respect of the Perpetual Preference Shares, other than any Dividend in respect of a period commencing before the Redenomination Date, will be made solely in euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, if no such account is specified, by a euro cheque; and
- (d) such other changes shall be made to the conditions of the Perpetual Preference Shares as the Company may decide, after consultation with the Paying and Transfer Agent(s), and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

35.4.12 Altering capital

- (i) Subject to any restrictions in the CA 1985 and CA 2006, if the Company redeems Perpetual Preference Shares, the Directors can do either or both of the following things relating to the share capital representing the Perpetual Preference Shares:
 - (a) change the nominal amount of Perpetual Preference Shares into Perpetual Preference Shares of a larger or smaller nominal amount; or
 - (b) convert this capital into shares of any other class of share capital in the same currency which exists at the time, or into unclassified shares in the same currency, with as near as possible the same total nominal amount.

Article 43 will apply to any change to the amount of Perpetual Preference Shares which is carried out under this Article 35.4.12.

35.5 The rights attaching to the Class B Perpetual Preference Shares are identical to those of the Class A Perpetual Preference Shares set out in Article 35.4, except that in

35.5.1 the definition of "Dividend Rate" and Article 35.4.2(ii)(a), the rate "8.117 per cent." is deleted and replaced by "7.754 per cent.";

35.5.2 the definition of "Margin", the rate of "3.85 per cent." is deleted and replaced by "4.20 per cent.";

35.5.3 in the definition of "Actual/Actual Basis" and in Article 35.4.2, the reference to "£250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A" is deleted and replaced by "£150,000,000 7.754% Non-cumulative Perpetual Preferred Securities, Class B";

35.5.4 in the definition of "Actual/Actual Basis" and in Articles 35.4.2 and 35.4.8(vi), the reference to "8.117% Non-cumulative Perpetual Preferred Securities, Class A" is

deleted and replaced by "7.754% Non-cumulative Perpetual Preferred Securities, Class B";

35.5.5 the definition of "Perpetual Preference Shares" the references to "the Class A Perpetual Preference Shares" are deleted and are replaced by references to "the Class B Perpetual Preference Shares";

35.5.6 all instances, the year "2010" is replaced by the year "2021".

35.6 The Company may from time to time issue Preference Shares in addition to the Initial Preference Shares and the Perpetual Preference Shares. Subject to legislation in force at the relevant time, a series of such additional Preference Shares shall have such rights to share in the profits and *assets* of the Company and such other rights as the Directors shall decide to give it before Preference Shares of that series are first allotted but any such decision shall be without prejudice to any rights attaching to any existing Preference Shares and no such decision shall vary or abrogate the rights attaching to existing Preference Shares without such consent to the variation or abrogation as is required by these Articles. In deciding the rights attaching to any series of additional Preference Shares (being shares other than the Initial Preference Shares or the Perpetual Preference Shares), the Directors shall decide upon the matters referred to in Articles 35.7 to 35.9 and 36 to 42 inclusive below.

35.7 Subject only to there being authorised but unissued share capital of the Company denominated in a relevant currency, a series of Preference Shares may be issued in such currency as the Directors shall decide.

35.8 The Directors shall decide whether the rights attaching to a series of Preference Shares to share in the profits and assets of the Company rank equally with or behind or ahead of any other Preference Shares of the Company then in issue or to be issued and whether all or any of such rights or the ranking of such Preference Shares may be varied after Preference Shares of that series are first allotted and, if so, in what circumstances and subject to what conditions.

35.9 In addition to the provisions of Articles 35.6 to 35.8 and 36 to 42, the Directors may decide any other terms or conditions of issue of a series of Preference Shares whatsoever.

36 The rights of Preference Shares to share in profits

A series of Preference Shares shall have such rights to a preferential dividend as the Directors decide to give it before shares of that series are first allotted. Without prejudice to the generality of this statement, the Directors shall decide, in respect of any series, the matters set out in Articles 36.1 to 36.5 inclusive below.

36.1 Dividend rate

The Directors shall decide whether or not a dividend is payable, the extent to which a dividend shall be payable, and, if payable, at what rate or rates or how the rate or rates shall be determined;

36.2 Dividend Payment Dates

The Directors shall decide whether a dividend in respect of a series of Preference Shares is payable upon a specified date or dates or at a date or dates to be determined or otherwise;

36.3 Dividend Periods

The Directors shall decide the date (if any) from which a dividend will accrue and the date (if any) to which it will accrue and shall also decide how the amount of any dividend is to be calculated if it is or may be payable otherwise than in respect of the period between such dates;

36.4 Cumulative or non-cumulative dividend

The Directors shall decide whether the right to receive a dividend shall be cumulative or non-cumulative or may change from one to the other at any specified date or dates or at a date or dates to be determined in the future;

36.5 Shares in lieu of dividend

36.5.1 The Directors shall decide, in respect of a series of Preference Shares, whether or not additional Preference Shares may or shall be allotted and issued in lieu of a dividend.

36.5.2 No additional Preference Shares may be allotted and issued unless there is an amount in the Company's profit and loss account, or in any of the Company's reserves (including any share premium account and capital redemption reserve), which can be used for paying up the full nominal value of such Preference Shares.

36.5.3 Additional Preference Shares allotted and issued in lieu of a dividend will be credited as fully paid. The total nominal value of the additional Preference Shares shall be determined in such manner and upon such terms as the Directors shall have decided before the Preference Shares of the relevant series in respect of which additional Preference Shares are to be allotted and issued are first allotted.

36.5.4 To pay up in full additional Preference Shares to be allotted and issued in lieu of a dividend, the Directors will:

- (i) capitalise from the reserves a sum equal to the total nominal value of such Preference Shares;
- (ii) set that sum aside for the holders of Preference Shares of the relevant series on the Register at the close of business on the record date for the relevant dividend (or another date if the Directors consider it appropriate) and use that sum to pay up in full the additional Preference Shares;
- (iii) allot and issue the additional Preference Shares to the holders of the Preference Shares entitled to them; and
- (iv) if the additional Preference Shares to be allotted and issued in lieu of a dividend are denominated in a currency different from the currency in which the relevant reserves are denominated, the Directors shall use such exchange rate to calculate the amount of reserves to be capitalised as they consider appropriate.

36.5.5 The Directors must call a General Meeting of the Company's shareholders if the Company cannot allot and issue the additional Preference Shares in lieu of a dividend because:

- (i) there is not enough authorised share capital; and/or
- (ii) the Directors are not authorised to allot enough Preference Shares under Section 80 of the CA 1985.

The Directors will propose resolutions at that meeting to increase the authorised share capital, and/or to grant the Directors the necessary authority to allot the additional Preference Shares.

36.5.6 The Directors can do anything which they think is necessary or convenient to carry out what is required by this Article 36.5.

37 The Rights of Preference Shares to Capital

The Directors shall decide the rights attaching to a series of Preference Shares to share in the Company's assets before Preference Shares of that series are first allotted and, in particular, but without prejudice to the generality of the foregoing the Directors shall decide what amounts a holder of a Preference Share will be entitled to receive from the Company's assets which may be fixed or to be calculated by reference to a formula or to be determined in any other manner whatsoever.

38 Redemption and Purchase

In respect of any series of Preference Shares, the Directors may decide before Preference Shares of a series are first allotted that the Preference Shares of that series are Redeemable Preference Shares and, in such event, the Directors may:

- 38.1** designate any Redemption Date or Redemption Dates whatsoever or decide that there shall be no fixed Redemption Date or that a fixed Redemption Date or fixed Redemption Dates may be designated after allotment;
- 38.2** decide that any redemption in respect of a series of Redeemable Preference Shares shall be in respect of all of the Redeemable Preference Shares of such series or of part only; and
- 38.3** decide in their absolute discretion the terms of redemption and the manner in which such shares may be redeemed and, in particular, without prejudice to the foregoing:
 - 38.3.1** specify whether or not any dividend which may have accrued but which is unpaid as at a Redemption Date in respect of such series shall be payable as part of the redemption payment on such Redemption Date;
 - 38.3.2** specify whether or not any premium paid when the Preference Shares were issued shall be payable as part of the redemption payment on a Redemption Date in respect of such shares; and
 - 38.3.3** specify any other amounts which shall be payable as part of the redemption payment on a Redemption Date in respect of such series of Preference Shares; and

The Company can purchase any Preference Shares which have been issued, on the terms and conditions decided on by the Directors. The Preference Shares can be bought back:

- through the market;
- by tender (which will be available to all holders of Preference Shares alike); or
- if the Directors decide before the Preference Shares of any particular series are first allotted, by private arrangement;

39 Payment

39.1 Payment of any amount due to a holder of a Preference Share of any series (including, without prejudice to the foregoing, by way of dividend, on redemption or on a winding up) shall be made in the currency in which such Preference Share is denominated or in such other currency or currencies as may be determined by the Directors before Preference Shares of the relevant series are first allotted.

39.2 If the day on which payment of any amount due to a holder of a Preference Share of any series is not a working day, the payment will be made on the next working day. There will be no interest or other payment for any such delay.

40 Voting Rights

40.1 If the Directors so decide prior to the Preference Shares of any series being first allotted, the Preference Shareholders of such series shall have such rights to attend and/or speak and/or vote at such meetings as the Directors may decide.

40.2 If the Directors decide that Preference Shareholders shall have the right to vote at any meeting, they shall decide how many votes each Preference Shareholder shall have on (i) a show of hands and (ii) a poll and shall also decide when and how Preference Shareholders of such series shall exercise such right.

40.3 If the Directors so decide prior to the Preference Shares of any series being first allotted, Preference Shareholders of such series shall have the right to requisition a General Meeting of the Company. The Directors can decide when and how those Preference Shareholders can requisition a General Meeting.

41 Variation of rights of Preference Shares

41.1 A variation or abrogation of rights attached to any particular series of Preference Shares can only take place if:

- 41.1.1** holders of at least three quarters in nominal value of all existing Preference Shares of the relevant series agree in writing; or
- 41.1.2** an Extraordinary Resolution, passed at a separate meeting of the holders of the existing Preference Shares of the relevant series approves the proposal in accordance with Article 45.3.

Whenever the rights attached to existing Preference Shares of any particular series differ from the rights attached to existing Preference Shares of any other series and some matter arises which would amount to a variation or abrogation of the rights attached to all the Preference Shares of those series, if the effect of that variation or abrogation on all the Preference Shares of those series is, in the opinion of the Directors, substantially the

same, the rights attached to all the Preference Shares of those series may be varied or abrogated by the agreement in writing of the holders of at least three quarters in nominal value of all the Preference Shares of those series (other than the Initial Preference Shares and the Perpetual Preference Shares) or with the approval of any Extraordinary Resolution, passed at a separate meeting of the holders of all the Preference Shares of those series (other than the Initial Preference Shares and the Perpetual Preference Shares). Whenever this provision applies, all the holders of the Preference Shares of the relevant series shall be treated as holding Preference Shares of a single class (other than the Initial Preference Shares and the Perpetual Preference Shares).

41.2 Unless the Directors decide otherwise before the Preference Shares of any particular series are first allotted, the special rights which apply to those Preference Shares will not be varied or abrogated or deemed to be varied or abrogated if:

41.2.1 any other series of Preference Shares is created or issued;

41.2.2 any other shares are created or issued which rank equally with, or behind, the Preference Shares in sharing in the Company's profits or assets; or

41.2.3 the Company *redeems* or buys back any of its shares which *rank* equally with, or behind, those Preference Shares in sharing in the Company's profits or assets.

The Directors may also decide, in respect of any series of Preference Shares, before shares of that series are first allotted, that any other specified matter or specified matters will be, or will be deemed to be, or not to be, a variation or abrogation of rights attached to that series of Preference Shares.

41.3 If a new series of Preference Shares, or any other class of shares, is created, or issued, which ranks equally with existing Preference Shares in sharing in the profits or assets of the Company ("**new shares**"), the new shares can have the same rights as, or different rights from, existing Preference Shares. This will not, of itself, be treated as varying or abrogating the rights of the existing Preference Shares. For example:

41.3.1 the rate of the dividend on the new shares can be different;

41.3.2 the way that the dividend is worked out can be different including, without limitation, whether the dividend is cumulative or non-cumulative;

41.3.3 the circumstances (if any) in which a dividend can be paid or cannot be paid can be different;

41.3.4 the payment dates for dividends can be different;

41.3.5 the date from when the new shares are entitled to dividends can be different;

41.3.6 a premium may or may not be paid if capital is returned on the shares whether or not such a premium is payable on the existing Preference Shares;

41.3.7 the Company can redeem the new shares or they can be non-redeemable whether or not existing Preference Shares are Redeemable Preference Shares;

41.3.8 if the Company can redeem the new shares, the redemption can be on different dates, and on different terms, from those which apply to the existing Preference Shares which are Redeemable Preference Shares;

41.3.9 the new shares can be converted (on the terms and conditions set before the new shares are first allotted) into Ordinary Shares, or into any other class of shares

which rank equally with, or behind, or ahead of the existing Preference Shares in sharing in the profits or assets of the Company;

41.3.10 the new shares and dividends payable in respect of those shares can be in any currency or denomination; and/or

41.3.11 the new shares can be in any basket of currencies if the **legislation** allows.

41.4 “**In writing**”, for the purposes of Article 41.1 means in writing or any substitute for writing, or both including electronic communication but only to the extent that both the Company and the other party or parties to the communication have agreed to accept it in such form.

42 Conversion of Preference Shares into other shares

Before the Preference Shares of any series are first allotted the Directors may:

42.1 Decide that such Preference Shares shall be Convertible Preference Shares which:

42.1.1 will upon certain dates or in certain circumstances; or

42.1.2 may at the option of the Company upon certain dates or in certain circumstances; or

42.1.3 may at the option of the Preference Shareholder upon certain dates or in certain circumstances,

be converted into:

42.1.4 Ordinary Shares; or

42.1.5 any other class of shares which rank equally with, or behind, or ahead of existing Preference Shares in sharing in the profits and assets of the Company; or

42.1.6 any other type of securities whatsoever,

42.2 Decide the number of shares or other securities into which such Preference Shares shall be converted, or any formula or other method for calculating this number;

42.3 Subject to the legislation, decide the manner in which such conversion shall be effected:

42.4 If the Convertible Preference Shares are to be redeemed for the purposes of the conversion, decide the person or persons, including without limitation the Secretary, who will:

42.4.1 be required to subscribe for the shares or other securities into which the Convertible Preference Shares are to be converted and to borrow money in anticipation of the redemption of the Convertible Preference Shares; and

42.4.2 receive any redemption money payable to the relevant Preference Shareholder prior to subscription for such shares or other securities;

42.5 Decide, if the Convertible Preference Shares are not denominated in sterling, by what method the equivalent amount of sterling is to be calculated for the purposes of calculating any premium payable on any shares into which the Convertible Preference Shares are being converted.

43 The power to change capital

43.1 The Company's shareholders can pass ordinary resolutions to do any of the following:

43.1.1 consolidate, or consolidate and then divide, all or any of its share capital into shares of a larger nominal amount than the existing shares;

43.1.2 cancel any shares which have not been taken, or agreed to be taken, by any person at the date of the resolution and reduce the amount of the Company's share capital by the amount of the cancelled shares;

43.1.3 divide some or all of its shares into shares of a smaller nominal amount than the existing shares. This is subject to any restrictions in the CA 1985. The resolution may provide that, as between the holders of the divided shares, different rights and restrictions of a kind which the Company can apply to new shares may apply to different divided shares; and

43.1.4 convert all or any of its paid-up shares into stock, and re-convert that stock into paid-up shares of any denomination.

44 The special rights of new shares

44.1 Subject to Article 44.4, if the Company issues new shares, they may have any rights or restrictions attached to them. These rights and restrictions can apply to sharing in the Company's profits or assets. Other rights and restrictions can also apply, for example, on the right to vote. These rights and restrictions can give the new shares priority over some or all of the rights of existing shares, or existing shares can have priority over the rights of new shares. Alternatively, the new shares and the existing shares can have the same **rights** and restrictions.

44.2 The rights and restrictions referred to in Article 44.1 can be set out in the Articles, or can be decided either by an ordinary resolution passed by the shareholders or by the Directors as long as there is no conflict with any resolution passed by the shareholders.

44.3 If the legislation allows this, the rights of any new shares can include a right for the holder and/or the Company to have them redeemed.

44.4 The rights of any new shares must not vary or abrogate any special rights already given to any other class of shares unless the holders of those shares have given their approval in the way required by Article 45.

44.5 The Directors can make it a term of any Preference Shares of a particular series that they can only be transferred as a unit together with another right or security. This can be for a limited period, or at all times, or until an event happens. The Directors must decide on any restrictions of this kind before the Preference Shares are first allotted. Articles 51 to 54 (transferring shares) will apply to these Preference Shares, but the Directors can refuse to register a transfer of any of the Preference Shares to which this Article 44.5 applies if they are not transferred with the other right or security.

45 Changing the special rights of shares

45.1 If the Company's share capital is split into different classes of shares, and if the legislation allows this, the special rights which are attached to any of these classes can be changed or abrogated with the agreement in writing of the holders of three quarters in nominal value

of the issued shares of that class or with the sanction of an Extraordinary Resolution. This must be passed at a separate meeting of the holders of the relevant class of shares. This is called a "class meeting". However, subject to Section 125 of the CA 1985, in the case of the Initial Preference Shares and the Perpetual Preference Shares the agreement in writing of the holders of a majority in nominal value of, or the approval of an ordinary resolution passed at a meeting of holders of the relevant class of Initial Preference Shares or Perpetual Preference Shares is sufficient. Article 45 is subject to what is said in Article 41 about varying the rights of the Preference Shares (other than the Initial Preference Shares or the Perpetual Preference Shares).

45.2 The special rights of a class of shares can be changed or abrogated while the Company is a going concern or while the Company is being wound up (or while its winding up is being considered).

45.3 All the Articles relating to General Meetings apply, with any necessary changes, to a class meeting, but with the following changes:

45.3.1 two persons who hold (or who act as a proxies for) at least one third of the total nominal value of the existing shares of the class are a quorum, but if this quorum is not present at an adjourned meeting, one person who holds shares of the class, or his proxy, is a quorum;

45.3.2 any holder of shares who is personally present or who is represented by a proxy can demand a poll; and

45.3.3 on a poll, the holders of shares will have one vote for every share of the class which they hold, but this is subject to any special rights or restrictions which are attached to any class of shares by the Articles or any rights which are attached to shares in some other way under the Articles.

45.4 This Article 45 also applies to any change or abrogation of special rights of shares forming part of a class, unless the terms of those shares require changes to be approved in some other way. Each part of the class which is being treated differently is treated as a separate class in operating this Article 45.

46 All shares to be fully paid up

46.1 No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the Company in consideration for its issue.

46.2 This does not apply to shares taken on the formation of the Company by the subscribers to the Company's memorandum.

47 Powers to issue different classes of share

47.1 Subject to the Articles, but without prejudice to the rights attached to any existing share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

47.2 The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such shares.

48 Company not bound by less than absolute interests

Except as required by law, no person is to be recognised by the Company as holding any share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

49 Share certificates

49.1 The Company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.

49.2 Every certificate must specify:

49.2.1 the number and class of shares to which it relates;

49.2.2 the nominal value of those shares;

49.2.3 that the shares are fully paid; and

49.2.4 any distinguishing numbers assigned to them.

49.3 No certificate may be issued in respect of shares of more than one class.

49.4 If more than one person holds a share, only one certificate may be issued in respect of it.

49.5 Certificates must:

49.5.1 have affixed to them the Company's common seal; or

49.5.2 be otherwise executed in accordance with the Companies Acts.

50 Replacement share certificates

50.1 A shareholder who has separate certificates in respect of shares of one class may request in writing that it be replaced with a consolidated certificate. The Company may comply with such request at its discretion.

50.2 A shareholder who has a consolidated share certificate may request in writing that it be replaced with two or more separate certificates representing the shares in such proportions as the shareholder may specify. The Company may comply with such request at its discretion.

50.3 If a share certificate is damaged or defaced or alleged to have been lost, stolen or destroyed, the member shall be issued a new certificate representing the same shares upon request.

50.4 No new certificate will be issued pursuant to this Article 50 unless the relevant shareholder has:

50.4.1 first delivered the old certificate or certificates to the Company for cancellation; or

50.4.2 complied with such conditions as to evidence and indemnity as the Directors may think fit; and

50.4.3 paid such reasonable fee as the Directors may decide.

50.5 In the case of shares held jointly by several persons, any request pursuant to this Article 50 may be made by any one of the joint holders.

51 Share transfers

- 51.1** Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the Directors. The instrument of transfer shall be executed by or on behalf of the transferor.
- 51.2** No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.
- 51.3** The Company may retain any instrument of transfer which is registered.
- 51.4** The transferor remains the holder of the shares concerned until the transferee's name is entered in the register of members in respect of those shares.
- 51.5** The Directors may not register a transfer of shares except with the prior consent of the Parent Company and shall register a transfer of shares if required to do so by the Parent Company.
- 51.6** If the Directors refuse to register the transfer of a share, the instrument of transfer must be returned to the transferee with the notice of the refusal unless they suspect that the proposed transfer may be fraudulent.

52 Transmission of shares

- 52.1** If title to a share passes to a transferee, the Company may only recognise the transferee as having any title to that share.
- 52.2** A transferee who produces such evidence of entitlement to shares as the Directors may reasonably require:
- 52.2.1** may, subject to the Articles, choose either to become the holder of those shares or to have them transferred to another person, and
- 52.2.2** subject to the Articles and pending any transfer of the shares to another person, has the same rights as the holder had.
- 52.3** A transferee does not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which it is entitled, by reason of the holder's death or bankruptcy or otherwise, unless it becomes the holder of those shares.

53 Exercise of transferees' rights

- 53.1** A transferee who wishes to become the holder of shares to which it has become entitled must notify the Company in writing of that wish.
- 53.2** If the transferee wishes to have a share transferred to another person, the transferee must execute an instrument of transfer in hard copy form in respect of it.
- 53.3** Any transfer made or executed under this Article 53 is to be treated as if it were made or executed by the person from whom the transferee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

54 Transmittees bound by prior notices

If a notice is given to a shareholder in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the shareholder before the transmittee's name has been entered in the register of members.

Reserves

55 Setting up reserves

The Directors can set aside any profits of the Company and hold them in a reserve. The Directors can decide to use these sums for any purpose for which the profits of the Company can lawfully be used. Sums held in a reserve can either be employed in the business of the Company or be invested. The Directors can divide the reserve into separate funds for special purposes and alter the funds into which the reserve is divided. The Directors can also carry forward any profits without holding them in a reserve. The Directors must comply with the restrictions under the legislation which relate to reserve funds.

56 Assets bought as from a past date

This Article 56 applies if the legislation allows this and the Directors decide to deal with profits, losses, dividends or interest as this Article 56 allows. Where any asset, business or property is bought by the Company as from a past date (whether that date is before or after the incorporation of the Company), any of the profits and losses can be added to the Company's revenue account and treated for all purposes as profits or losses of the Company. Similarly, where shares or other securities are purchased with any dividend or interest, any such dividend or interest can be treated as revenue, rather than being treated as a capital item.

Dividends and Other Distributions

57 Final dividends

Provided that the instalments of Preference Dividend payable in respect of a financial year have been or are to be paid in full at the rate specified in Article 35.2.1(i) and subject always to the rights of any other Preference Shares, the Company's shareholders can declare dividends by passing an ordinary resolution. No such dividend can exceed the amount recommended by the Directors.

58 Fixed and Interim dividends

58.1 If the Directors consider that the profits of the Company justify such payments, they can:

58.1.1 pay the fixed dividends on any class of shares carrying a fixed dividend, including a dividend fixed by reference to or linked to a variable or floating rate or determined by or linked to a formula or index, on the dates prescribed for the payment of those dividends; and

58.1.2 provided that the first instalments of Preference Dividend payable in respect of a financial year has been or is to be paid in full at the rate specified in Article 35.2.1(i) and subject always to the rights of any other Preference Shares pay interim

dividends on shares of any class of any amounts and on any dates and for any periods that they decide.

- 58.2** If the Directors act in good faith, they are not liable to the holders of any shares for any loss they may suffer because a lawful dividend has been paid under this Article 58 on other shares which rank equally with or behind their shares.

59 Distributions in kind

- 59.1** If the Directors recommend this, the Company's shareholders can pass an ordinary resolution to direct all or part of a dividend to be paid by distributing specific assets (and, in particular, paid-up shares or debentures of any other company). The Directors must give effect to this resolution. Where any difficulty arises on such a distribution, the Directors can settle it as they decide. In particular, they can:

59.1.1 issue fractional shareholdings;

59.1.2 value assets for distribution purposes;

59.1.3 pay cash of a similar value to adjust the rights of shareholders; and/or

59.1.4 vest any assets in trustees for more than one shareholder.

60 No dividends are payable except out of profits

No dividend can be paid otherwise than out of profits available for distribution under the legislation.

61 Apportioning dividends

All dividends will be divided and paid in proportions based on the amounts which have been paid up on the shares during any period for which the dividend is paid. Sums which have been paid up in advance of calls count as paid up for this purpose. If the terms of any share say that it will be entitled to a dividend as if it were a fully paid-up, or partly paid-up, share from a particular date (in the past or the future), it will be entitled to a dividend on this basis. This Article 61 applies unless the rights attached to any shares, or the terms of any shares, say otherwise.

62 Deducting amounts owing from dividends and other money

If a shareholder owes any money for calls on shares or money relating in any other way to shares, the Directors can deduct any of this money from:

62.1.1 any dividend on any shares held by the shareholder; or

62.1.2 any other money payable by the Company in connection with the shares.

Money deducted in this way can be used to pay amounts owed to the Company in connection with the shares.

63 Payments to shareholders

Any dividend or other money payable in cash relating to a share can be paid by cheque or warrant payable to the shareholder who is entitled to it or to someone else named in a written instruction from the shareholder. A dividend can also be paid by inter-bank transfer

or by other electronic means directly to an account with a bank or other financial institution (or other organisations operating deposit accounts) or by such other means and to such other persons as determined by the Directors and specified in the terms of issue of the relevant shares. A dividend can also be paid in some other way agreed between the shareholder and the Company.

64 Record dates for payments and other matters

Any dividend on any shares can be paid to the registered holder or holders of the shares, at the close of business on a particular day stated in the resolution passed for payment of the dividend. It will be based on the number of shares registered on that day. This Article 64 applies whether what is being done is the result of a resolution of the Directors or a resolution passed at a General Meeting. The date can be before any relevant resolution was passed. This Article 64 does not affect the rights between past and present shareholders to payments or other benefits.

65 Waiver of dividends

All or any part of a dividend can be waived by means of a document on which the Company acts. The document must be signed by the shareholder and delivered to the Company. The document need not be in the form of a deed.

Capitalising reserves

66 Capitalising reserves

66.1 The Company's shareholders can pass an ordinary resolution to capitalise any sum:

66.1.1 which is part of any of the Company's reserves (including premiums received when any shares were issued, capital redemption reserves or other undistributable reserves); or

66.1.2 which the Company is holding as net profits.

66.2 Subject to Article 66.5, the Directors may appropriate the sum which is resolved to be capitalised:

66.2.1 to the holders of Ordinary Shares who would have been entitled to it if it were distributed by way of dividend on the Ordinary Shares and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any Ordinary Shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those shareholders, or as they may direct, in those proportions, or partly in one way and partly in the other; or

66.2.2 in paying up in full unissued Class A Perpetual Preference Shares and/or Class B Perpetual Preference Shares of a nominal amount and share premium equal to the sum capitalised and allot such Class A Perpetual Preference Shares and/or Class B Perpetual Preference Shares credited as fully paid to the persons entitled thereto in satisfaction of the Company's obligations under a Deed of Guarantee executed by the Company on 14th March 2000 (as the same may be amended, varied, increased, extended or replaced by a new form of guarantee) in connection with

the issue by Bank of Scotland Capital Funding L.P. of £250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A and/or 7.754% £150,000,000 Non-cumulative Perpetual Preferred Securities, Class B or as permitted by the terms of issue of such £250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A and/or 7.754% £150,000,000 Non-cumulative Perpetual Preferred Securities, Class B.

provided that any share premium account may be applied pursuant to this Article 66 only in paying up unissued shares to be allotted credited as fully paid.

- 66.3** If any difficulty arises in operating this Article 66, the Directors can resolve it in any way which they decide. For example, they can deal with entitlements to fractions of a share by deciding that the benefit of share fractions belong to the Company or that share fractions are ignored or deal with fractions in some other way.
- 66.4** The Directors can appoint any person to sign any contract with the Company on behalf of those who are entitled to shares under the ordinary resolution. Such a contract is binding on all concerned.
- 66.5** The Directors shall not without the consent in writing of (1) shareholders holding a majority of the issued 9¼ per cent. Preference Shares or the sanction of an ordinary resolution passed at a meeting of shareholders holding 9¼ per cent. Preference Shares, or (2) shareholders holding a majority of the issued 9¾ per cent. Preference Shares or the sanction of an ordinary resolution passed at a meeting of shareholders holding 9¾ per cent. Preference Shares capitalise as provided in Article 66.2 any part of the sums standing at credit of the profit and loss account and at credit of any of the reserve accounts of the Company available for distribution if after such capitalisation the aggregate of the sums standing to the credit of the profit and loss account and to the credit of the Company's reserve accounts available for distribution would be a sum less than ten times the aggregate amount of the annual preferential dividends (exclusive of any imputed tax credit available to such shareholders) payable on the issued 9¼ per cent. Preference Shares or 9¾ per cent. Preference Shares and any other issued preference shares ranking equally therewith.

67 Distribution of assets in kind

- 67.1** If the Company is wound up (whether the liquidation is voluntary, under supervision of the Court or by the Court), the Liquidator can, with the authority of an Extraordinary Resolution passed by the shareholders, divide among the shareholders the whole or any part of the assets of the Company, subject to the rights of any class of share which then exists (including the rights of any Preference Shares of any particular series). This applies whether the assets consist of property of one kind or different kinds. For this purpose, the Liquidator can set such value as he considers fair upon any property and decide how such division is carried out as between shareholders or different groups of shareholders. The Liquidator can transfer any part of the assets to trustees upon such trusts for the benefit of shareholders as the Liquidator, acting under that resolution, decides. The liquidation of the Company can then be closed and the Company dissolved. However, no past or present shareholder can be compelled to accept any shares or other property under this Article 67 which carries a liability.

Part 4

Decision-Making by Shareholders

Organisation of General Meetings

68 Attendance and speaking at general meetings

68.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate, during the meeting, any information or opinions which that person has on the business of the meeting.

68.2 A person is able to exercise the right to vote at a general meeting when:

68.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and

68.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

68.3 The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

68.4 In determining attendance at a general meeting, it is immaterial whether any two or more persons attending it are in the same place as each other or how they are able to communicate with each other.

68.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

69 Postponement or cancellation of general meetings

The Directors may resolve to postpone or cancel any general meeting or move the place or places (including, for a combined physical and electronic general meeting and an electronic-only general meeting, electronic platform) of such meeting before the time at which it is to be held, except where the postponement or cancellation or move would be contrary to the Companies Act or applicable law. The Directors may give notice of a postponement or cancellation or move as they think fit but any failure to give notice of a postponement or cancellation or move does not invalidate the postponement or cancellation or move or any resolution passed at a postponed or moved meeting. Notice of the business of a postponed or moved meeting does not need to be given again. If a meeting is postponed or moved, the appointment of a proxy for that meeting is valid if it is done in accordance with these Articles and received not less than 48 hours before the commencement of the postponed or moved meeting to which it relates. The Directors may also postpone or cancel or move a postponed or moved meeting under this Article.

70 Quorum for general meetings

No business other than the appointment of the Chair of the Meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

71 Chairing general meetings

- 71.1** If the Directors have appointed a Chair, the Chair shall chair general meetings if present and willing to do so.
- 71.2** If the Directors have not appointed a Chair, or if the Chair is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:
- 71.2.1** the Directors present; or
- 71.2.2** (if no Directors are present), the meeting,
- must appoint a Director or shareholder to chair the meeting, and such appointment must be the first business of the meeting.
- 71.3** The person chairing a meeting in accordance with this Article 70 is referred to as the “**Chair of the Meeting**”.

72 Attendance and speaking by Directors and non-shareholders

- 72.1** Directors may attend and speak at general meetings, whether or not they are shareholders.
- 72.2** The Chair of the Meeting may permit other persons who are not:
- 72.2.1** shareholders of the Company; or
- 72.2.2** otherwise entitled to exercise the rights of shareholders in relation to general meetings, to attend and speak at a general meeting.

73 Adjournment

- 73.1** If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the Chair of the Meeting must adjourn it.
- 73.2** The Chair of the Meeting may adjourn a general meeting at which a quorum is present if:
- 73.2.1** the meeting consents to an adjournment; or
- 73.2.2** the Chair of the Meeting considers that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.
- 73.3** The Chair of the Meeting must adjourn a general meeting if directed to do so by the meeting.
- 73.4** When adjourning a general meeting, the Chair of the Meeting must specify the time and place or places (including, for a combined physical and electronic general meeting and an electronic-only general meeting, electronic platform) to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors.
- 73.5** If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least 7 clear days’ notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):
- 73.5.1** to the same persons to whom notice of the Company’s general meetings is required to be given; and

73.5.2 containing the same information which such notice is required to contain.

73.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

74 Combined physical and electronic general meetings and electronic-only general meetings

74.1 The Directors may decide to hold a general meeting as a combined physical and electronic general meeting or an electronic-only general meeting, and in such case, shall provide details of the means for members to attend and participate in the meeting, including, as applicable, the physical place or places of meeting and the electronic platforms to be used.

74.2 The Directors and the Chair of a combined physical and electronic general meeting or an electronic-only general meeting may make any arrangement and impose any requirement or restriction as is:

74.2.1 necessary to ensure the identification of those taking part and the security of the electronic communication; and

74.2.2 proportionate to achieving these objectives.

74.3 Nothing in Article 74.2 shall affect the Directors' or the Chair's power to require reasonable evidence of the entitlement of any person who is not a member to participate in the meeting.

74.4 All resolutions put to members at a combined physical and electronic general meeting or an electronic-only general meeting shall be voted on by a poll in accordance with Article 77 and 78.

74.5 Persons seeking to attend or participate in a combined physical and electronic general meeting or an electronic-only general meeting via an electronic platform shall be responsible for ensuring that they have access to the facilities (including, without limitation, systems, equipment and connectivity) which are necessary to enable them to attend or participate in such general meeting. Unless a person is unable to attend or participate in a meeting because such meeting has been adjourned by the Chair in accordance with the provisions of Article 73, any inability of a person or persons to attend or participate in a combined physical and electronic general meeting or an electronic-only general meeting via an electronic platform, in whole or in part, will not affect the validity of such meeting, or any business conducted at such meeting up to the point of adjournment, or any action taken pursuant to such meeting

Voting at General Meetings

75 Voting: general

At any general meeting which is held only as a physical general meeting, a resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.

76 Errors and disputes

76.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

76.2 Any such objection must be referred to the Chair of the Meeting, whose decision is final.

77 Poll votes

77.1 A poll on a resolution may be demanded:

77.1.1 in advance of the general meeting where it is to be put to the vote; or

77.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

77.2 A poll may be demanded by:

77.2.1 the Chair of the Meeting;

77.2.2 the Directors;

77.2.3 two or more persons having the right to vote on the resolution; or

77.2.4 a person or persons representing not less than 10% of the total voting rights of all the shareholders having the right to vote on the resolution.

77.3 A demand for a poll may be withdrawn if:

77.3.1 the poll has not yet been taken; and

77.3.2 the Chair of the Meeting consents to the withdrawal.

77.4 Polls must be taken immediately and in such manner as the Chair of the Meeting directs.

77.5 At a general meeting which is held as a combined physical and electronic general meeting or an electronic-only general meeting, a resolution put to the vote of the meeting shall be decided on a poll, and any such poll will be deemed to have been validly demanded at the time fixed for holding the meeting to which it relates.

78 Procedure on a poll

A poll shall be taken in such manner (including the use of ballot, electronic voting, voting papers or tickets) as the Chair of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chair of the meeting may (and if so directed by the meeting shall) appoint scrutineers (who need not be members) and may adjourn the meeting to some place, date and time fixed by him for the purpose of declaring the result of the poll.

79 Content of proxy notices

79.1 Proxies may only validly be appointed by a notice in writing (a “**proxy notice**”) which:

79.1.1 states the name and address of the shareholder appointing the proxy;

79.1.2 identifies the person appointed to be that shareholder’s proxy and the general meeting in relation to which that person is appointed;

79.1.3 is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the Directors may determine; and

79.1.4 is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting to which they relate.

79.2 The Company may require proxy notices to be delivered in a particular form and may specify different forms for different purposes.

79.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

80 Delivery of proxy notices

80.1 Proxy notices in hard copy form must be received at such place and by such deadline specified in the notice convening the meeting. If no place is specified, then the proxy notice must be received at the registered office of the Company for the time being. If no deadline is specified, proxy notices must be received, before the start of the meeting or adjourned meeting or, if a poll is taken otherwise than at or on the same day as the meeting or adjourned meeting, at the time for the taking of the poll at which it is to be used.

80.2 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the Company by or on behalf of that person.

80.3 An appointment under a proxy notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.

80.4 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

80.5 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

80.6 Any vote cast or poll demanded by a proxy shall not be invalidated by the previous death or insanity of the shareholder or by the revocation or termination of the appointment of the proxy or of the authority under which the appointment was made unless notice of such death, insanity, revocation or termination was received in writing at the place specified in the notice of meeting for the receipt of proxy notices (or, if no place is specified, the registered office for the time being) before the start of the meeting or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll.

81 Company representatives

81.1 A corporation which is a shareholder can authorise any person to act as its representative at any shareholders meeting which it is entitled to attend. This person is called a "company representative". The Directors can require evidence of the authority of a company representative.

81.2 Any vote cast by a company representative and any demand by him for a poll is valid even though he is, for any reason, no longer authorised to represent the corporation. However, this does not apply if written notice of the fact that he is no longer authorised has been received at the office where the Register is kept before the deadline which applies to notice of revocation of proxies under Article 80.

82 Amendments to resolutions

82.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:

82.1.1 notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the Chair of the Meeting may determine); and

82.1.2 the proposed amendment does not, in the reasonable opinion of the Chair of the Meeting, materially alter the scope of the resolution.

82.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:

82.2.1 the Chair of the Meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and

82.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

82.3 If the Chair of the Meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the Chair of the Meeting's error does not invalidate the vote on that resolution.

Part 5 Administrative Arrangements

83 Means of communication to be used

83.1 Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.

83.2 Any notice, document or information (including a share certificate) which is sent or supplied by the Company in hard copy form, or in electronic form but to be delivered other than by electronic means, which is:

83.2.1 sent by hand and properly addressed shall be deemed to have been received by the intended recipient on the day of delivery;

83.2.2 sent by pre-paid post and properly addressed shall be deemed to have been received by the intended recipient at the expiration of 24 hours (or, where first class mail is not employed, 48 hours) after the time it was posted,

and in proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed and, in the case of post, pre-paid and posted.

- 83.3** Any notice, document or information which is sent or supplied by the Company by electronic means shall be deemed to have been received by the intended recipient 24 hours after it was transmitted, and in proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed.
- 83.4** The accidental failure to send, or the non-receipt by any person entitled to, any notice of or other document or information relating to any meeting or other proceeding shall not invalidate the relevant meeting or proceeding.
- 83.5** Subject to the Articles, any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being.
- 83.6** A Director may agree with the Company that notices, documents or information sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than that provided in this Article 83.

84 Joint holders

- 84.1** Except as otherwise specified in the Articles, anything which needs to be agreed or specified by the joint holders of a share shall for all purposes be taken to be agreed or specified by all the joint holders where it has been agreed or specified by the joint holder whose name stands first in the register of members in respect of the share.
- 84.2** Except as otherwise specified in the Articles, any notice, document or information which is authorised or required to be sent or supplied to joint holders of a share may be sent or supplied to the joint holder whose name stands first in the register of members in respect of the share, to the exclusion of the other joint holders.
- 84.3** The provisions of this Article 84 shall have effect in place of the provisions of Schedule 5 of the Companies Act 2006 regarding joint holders of shares.

85 Company seals

- 85.1** Any common seal may only be used by the authority of the Directors.
- 85.2** The Directors may decide by what means and in what form any common seal is to be used.
- 85.3** Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.
- 85.4** For the purposes of this Article 85, an authorised person is:
- 85.4.1** any Director of the Company;
 - 85.4.2** the Secretary (if any); or
 - 85.4.3** any person authorised by the Directors for the purpose of signing documents to which the common seal is applied.
- 85.5** The Company may exercise all powers conferred by the Companies Act 2006 with regard to having an official seal for use abroad and such powers shall be vested in the Directors.

86 No right to inspect accounts and other records

Except as provided by law or authorised by the Directors or an ordinary resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or documents merely by virtue of being a shareholder.

87 Provision for employees on cessation of business

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

88 Bank mandates

The Directors may by majority decision or written resolution authorise such person or persons as they think fit to act as signatories to any bank account of the Company and may amend or remove such authorisation from time to time by resolution.

89 Authentication of documents

89.1 Any Director or the Secretary (if any) or any person appointed by the Directors for the purpose shall have power to authenticate:

89.1.1 any document affecting the constitution of the Company;

89.1.2 any resolution passed at a general meeting or at a meeting of the Directors or any committee; and

89.1.3 any book, record, document or account relating to the business of the Company, and to certify copies or extracts as true copies or extracts.

89.2 A document purporting to be a copy of any such resolution, or an extract from the minutes of any such meeting, which is certified shall be conclusive evidence in favour of all persons dealing with the Company that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.

Directors' Liabilities

90 Indemnity

90.1 Subject to Article 90.2, a Relevant Director may be indemnified out of the Company's assets against:

90.1.1 any liability incurred by or attaching to that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an Associated Company;

90.1.2 any liability incurred by or attaching to that Director in connection with the activities of the Company or an Associated Company in its capacity as a trustee of an occupational pension scheme (as defined in Section 235(6) of the Companies Act 2006);

90.1.3 any other liability incurred by or attaching to that Director as an officer of the Company or an Associated Company.

90.2 This Article 90 does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

90.3 Where a Relevant Director is indemnified against any liability in accordance with this Article, such indemnity shall extend to all costs, charges, losses, expenses and liabilities incurred by the Relevant Director in relation thereto.

91 Insurance

91.1 The Directors shall have the power to purchase and maintain insurance, at the expense of the Company, for the benefit of any Relevant Director in respect of any relevant loss.

91.2 In this Article 91, a “**relevant loss**” means any loss or liability which has been or may be incurred by a Relevant Director in connection with that Director’s duties or powers in relation to the Company, any Associated Company or any pension fund or employees’ share scheme of the Company or Associated Company.

92 Defence expenditure

92.1 So far as may be permitted by the Companies Acts, the Company may:

92.1.1 provide a Relevant Director with funds to meet expenditure incurred or to be incurred by the Relevant Director in:

- (i) defending any criminal or civil proceedings in connection with any negligence, default, breach of duty or breach of trust by the Relevant Director in relation to the Company or an Associated Company; or
- (ii) in connection with any application for relief under the provisions mentioned in Section 205(5) of the Companies Act 2006; and

92.1.2 do anything to enable any such Relevant Director to avoid incurring such expenditure.

92.2 The terms set out in Section 205(2) of the Companies Act 2006 shall apply to any provision of funds or other things done under Article 92.1.

92.3 So far as may be permitted by the Companies Acts, the Company:

92.3.1 shall provide a Relevant Director with funds to meet expenditure incurred or to be incurred by the Relevant Director in defending themselves in an investigation by a regulatory authority or against action proposed to be taken by a regulatory authority in connection with any alleged negligence, default, breach of duty or breach of trust by the Relevant Director in relation to the Company or any Associated Company; and

92.3.2 may do anything to enable the Relevant Director to avoid incurring such expenditure.

SCHEDULE 1

Business and Objects of the Company

Objects of the Company

- 1** Without prejudice to the power of the Company to carry on and manage a public bank (as that term may be from time to time understood or interpreted), the Company's objects are:
- 1.1** To carry on the business of banking and the provision of financial services in all their forms.
- 1.2** This includes financial transactions and any other business carried on in any part of the world by:
- 1.2.1** banks;
 - 1.2.2** financial houses;
 - 1.2.3** financial intermediaries;
 - 1.2.4** financial advisers;
 - 1.2.5** guarantee companies;
 - 1.2.6** financial managers and consultants;
 - 1.2.7** financial services companies;
 - 1.2.8** merchant banks;
 - 1.2.9** investment banks;
 - 1.2.10** issuing houses and investment and trust companies;
 - 1.2.11** dealers in securities; or
 - 1.2.12** other similar businesses.
- 1.3** Sub-paragraph 1.2 above includes,
- 1.3.1** borrowing, raising and taking in money in any way, on any terms and in any currencies, and to employ and use that money;
 - 1.3.2** depositing, lending or advancing money, securities or other property (with or without taking security) and generally making or negotiating loans and advances of every kind and providing liquidity support or other financial assistance or facilities on any terms and in any currencies;
 - 1.3.3** issuing, subscribing for, guaranteeing that any person will subscribe for, underwriting, buying, selling, discounting, holding, guaranteeing, transferring and dealing with or trading in the following, relating to any person—
 - (i) obligations;
 - (ii) instruments (whether transferable or negotiable or not);
 - (iii) securities (whether transferable or negotiable or not);
 - (iv) bills and drafts; or

- (v) derivative instruments of whatever nature;
- 1.3.4 granting, issuing, negotiating and in any manner dealing with, or in, travellers' cheques, letters of credit, circular notes, money orders and other negotiable instruments;
- 1.3.5 dealing in any kind of commodities or other physical things;
- 1.3.6 receiving cash, securities, documents and any kind of valuables on current account or deposit, or for safe keeping, or in any other way;
- 1.3.7 collecting and transmitting money and securities and acting as agents for the receipt or payment of money or for the delivery of securities and documents, and providing clearing and money transmission services;
- 1.3.8 carrying on business as providers of leasing, contract hire, hire purchase, conditional or credit sale, instalment finance, personal contract purchase or deferred payment facilities and any other credit facilities;
- 1.3.9 managing property;
- 1.3.10 buying, selling, purchasing and repurchasing and dealing in bullion, foreign exchange, currency, futures, options, bills, precious and other metals and commodities;
- 1.3.11 acting as agent, broker or provider of any kind of life assurance, industrial assurance, general insurance, re-insurance or other kinds of non-life insurance; and
- 1.3.12 undertaking or acting as agents, consultants or advisers in relation to, or in connection with, the management of property or insurance, all aspects of taxation and pension matters and the management and investment of money and generally to transact agency, consultancy and advisory business.
- 1.4 To issue notes of all denominations or amounts payable to bearer subject to compliance with any legal requirements which may from time to time be applicable thereto and to perform any obligations arising from such issue.
- 1.5 To enter into any—
 - 1.5.1 guarantee;
 - 1.5.2 bond;
 - 1.5.3 recognisance;
 - 1.5.4 cautionary obligation;
 - 1.5.5 contract of indemnity or suretyship; or
 otherwise give security or become responsible for the performance or discharge of any obligation or duties by any person.
- 1.6 Without prejudice to the generality of sub-paragraph 1.5 above, to:
 - 1.6.1 guarantee, support or secure, whether:
 - (i) by personal undertaking or covenant; or

- (ii) by mortgaging or charging all or any part of the undertaking, property and assets, present or future, and uncalled capital of the Company; or
 - (iii) by both such methods,
- the performance of the obligations of, and the payment of monies secured by, or payable under or in respect of the securities of, any person;
- 1.6.2** give and take counter-guarantees and indemnities; and
 - 1.6.3** give and receive security for the implementation of any obligation.
- 1.7** To undertake the insurance, re-insurance and counter-insurance of all kinds of risks and generally to carry on the business of an insurance and guarantee company in all its aspects.
- 1.8** Generally to carry on all or any of the business of a holding company and to:
- 1.8.1** co-ordinate and regulate all or any part of the businesses and operations of any and all companies, firms and businesses controlled directly or indirectly for the time being by the Company or in which the Company is interested for the time being, whether as a shareholder or otherwise and whether directly or indirectly; and
 - 1.8.2** acquire and hold, either in the name of the Company or in that of any nominee or trustee:
 - (i) shares;
 - (ii) stocks;
 - (iii) debentures;
 - (iv) debenture stock;
 - (v) bonds;
 - (vi) notes;
 - (vii) obligations; and
 - (viii) securities;

issued or guaranteed by any company, corporation or undertaking wherever incorporated or carrying on business; and
 - 1.8.3** co-ordinate the policy management and administration of any companies, corporations or undertakings in which the Company is a member or participant or which are controlled by or associated with the Company in any manner.
- 1.9** To carry on business as an investment holding company and to acquire, invest in and hold by way of investment:
- 1.9.1** shares;
 - 1.9.2** stocks;
 - 1.9.3** debentures;
 - 1.9.4** debenture stock;
 - 1.9.5** bonds;

- 1.9.6 bills;
- 1.9.7 notes;
- 1.9.8 obligations;
- 1.9.9 certificates of deposit;
- 1.9.10 mortgages;
- 1.9.11 policies of assurance; and
- 1.9.12 securities of all kinds;

created, issued or guaranteed by any person mentioned in sub-paragraph 1.10 below.

1.10 The persons referred to in sub-paragraph 1.9 above are:

- 1.10.1 any company, association or partnership, whether with limited or unlimited liability, constituted or carrying on business in any part of the world;
- 1.10.2 any individual;
- 1.10.3 any government, sovereign, ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, in any part of the world; or
- 1.10.4 units of and participants in any trust, scheme, mutual fund or collective investments scheme in any part of the world.

1.11 To do any of the following things (alone or with others):

- 1.11.1 act as a trustee (including a custodian trustee or trust corporation);
- 1.11.2 act as the personal representative of anyone's estate;
- 1.11.3 act as the trustee of any securities;
- 1.11.4 act as receiver or treasurer or as a trustee for a receiver or treasurer;
- 1.11.5 act as an attorney;
- 1.11.6 act as an administrator;
- 1.11.7 act as a manager or trustee of any unit trust, investment trust or other form of investment;
- 1.11.8 issue and carry on any business relating to any type of—
 - (i) charge card;
 - (ii) credit card;
 - (iii) debit card;
 - (iv) payment card; or
 - (v) any other type of card, token, voucher, or similar document issued by or for any bank;
- 1.11.9 finance or assist in financing the acquisition, construction, development, sale, hire, or lease of any property or infrastructure and the provision of services in connection therewith, whether by way of any of the following, or otherwise:

- (i) personal loan;
- (ii) hire purchase;
- (iii) instalment finance;
- (iv) conditional or credit sale; and
- (v) deferred payment;

1.11.10 buy or sell securities (including derivative products) for the account of the Company or for any other person and to provide any services which may be ancillary to this business;

1.11.11 acquire by assignment, assignment or otherwise debts owing to any person and to collect such debts;

1.11.12 act as:

- (i) forwarding agents;
- (ii) travel and shipping agents;
- (iii) commission agents;
- (iv) surveyors;
- (v) architects;
- (vi) valuers;
- (vii) auditors;
- (viii) property consultants and managers;
- (ix) land and estate agents; and
- (x) loss adjusters; and

generally undertake and carry on every kind of professional and agency business in all its forms;

1.11.13 carry on the business of providing any of the following services for, or in relation to, any person, property or business:

- (i) secretarial services;
- (ii) managerial services;
- (iii) consultancy services;
- (iv) accountancy services;
- (v) statistical services;
- (vi) legal services; and
- (vii) any executive, supervisory or advisory services;

1.11.14 carry on the business of selling, installing, operating, renting and providing:

- (i) data processing, storage and retrieval equipment and systems;
- (ii) computers;

- (iii) computer bureau services; and
 - (iv) communication systems of every kind;
- 1.11.15** act as agent, broker or provider of pensions or pensions advice, or as the manager, trustee or administrator of pension schemes or their assets;
- 1.11.16** seek for and secure, and use and develop, any openings for the employment of capital;
- 1.11.17** keep any register, record or account relating to any securities or funds; and
- 1.11.18** carry out any duties relating to securities or funds, including registering transfers and issuing certificates.
- 1.12** To take any action (including accepting any obligation) which may—
- 1.12.1** uphold, or support, the credit of the Company;
 - 1.12.2** obtain, maintain or restore public confidence; or
 - 1.12.3** avoid or minimise financial disturbances which are affecting, or may affect, the Company's business, either directly or indirectly.
- 1.13** To acquire any property, business, assets, liabilities or rights which appear to be necessary or convenient for the Company's purposes, or which contribute towards the Company's interests.
- 1.14** To sell, secure (by mortgage, charge, lien, or other form of security), develop, lease, improve and operate or use any property, business, assets or rights belonging to the Company or in which the Company may be interested.
- 1.15** To accept any securities, or other obligations, of any person in consideration for:
- 1.15.1** any property which has been, or may be, let, sold, or disposed of; or
 - 1.15.2** any services which have been, or may be provided; and
- to hold and retain or sell, charge, mortgage and deal with any such securities or other obligations so received.
- 1.16** To enter into any partnership or any arrangement to share profits, merge, enter into a joint venture, amalgamate or co-operate with any person who carries on, or proposes to carry on, any business within the Company's objects and to acquire and hold any securities of such person.
- 1.17** To form, or promote, or be involved in forming or promoting any company whose objects:
- 1.17.1** include carrying on any business which the Company is authorised to carry on;
 - 1.17.2** include acquiring, or taking over, any of the Company's assets or liabilities; or
 - 1.17.3** may in any way advance the objects or interests of the Company, either directly or indirectly.
- 1.18** To acquire and hold the securities of any company referred to in sub-paragraph 1.17 above or of any other person and to guarantee any payment on any securities issued by any such company or any other obligation of any such company.

- 1.19** To acquire in any way, hold and sell any securities of any person whose objects are, either wholly or partly, similar to the Company's or which appear to the directors of the Company to be necessary or convenient to promote or advance the Company's interests.
- 1.20** The securities referred to in sub-paragraph 1.19 can be:
- 1.20.1** acquired either by the Company alone or together with any other person; and
 - 1.20.2** held in the Company's name or in the name of a nominee.
- 1.21** To exercise and enforce all rights and powers given by, or connected with, the ownership of any of the securities referred to in sub-paragraph 1.18, including any powers of veto or control which the Company has by holding those securities.
- 1.22** To carry on any business or activity which is within the Company's objects or powers by or through subsidiaries, or companies which are controlled, either directly or indirectly, by the Company and to co-ordinate the administration of any of these companies and provide all kinds of services and facilities for any or all of them.
- 1.23** To apply for, and promote, any charter, statute, regulation, licence or concession, and to ask for any action or authorisation from any person anywhere in the world who has legislative or regulatory powers, in order to:
- 1.23.1** extend or change the Company's objects and powers;
 - 1.23.2** alter the Company's constitution;
 - 1.23.3** enable the Company to carry out its objects or to carry them out better; or
 - 1.23.4** for any other purpose which may seem to the directors of the Company to be expedient.
- 1.24** For the purposes of sub-paragraphs 1.25 to 1.34 below "the beneficiaries" means past or present directors, officers, employees, agents or consultants or other connected persons (including their dependants and people connected with them) of any of the qualifying bodies; and "the qualifying bodies" means:
- 1.24.1** the Company or any holding company of the Company;
 - 1.24.2** any body, whether or not incorporated, in which the Company or any holding company of the Company has or had any kind of direct or indirect interest;
 - 1.24.3** any body, whether or not incorporated, in which any subsidiary of the Company has or had any kind of direct or indirect interest, including any building society which has merged with a subsidiary of the Company;
 - 1.24.4** any body, whether or not incorporated, which is allied to or associated with the Company or any holding company of the Company;
 - 1.24.5** any subsidiary of any company or other body referred to in this paragraph; and
 - 1.24.6** any body, whether or not incorporated, acquired by the Company or by any subsidiary of the Company (including any building society, the business of which is transferred to the Company or any subsidiary of the Company under section 97 of the Building Societies Act 1986 (c. 53)).
- 1.25** To award or grant:
- 1.25.1** pensions;

- 1.25.2 allowances;
- 1.25.3 gratuities;
- 1.25.4 bonuses;
- 1.25.5 superannuation; or
- 1.25.6 death, disablement, sickness or other benefit funds;

to the beneficiaries.

- 1.26 To set up and maintain, or be involved in any other way with setting up and maintaining, trusts, funds, or schemes (whether contributory or non-contributory) intended to provide pensions, or other benefits, for any of the beneficiaries.
- 1.27 To set up, maintain and contribute to—
 - 1.27.1 any scheme or arrangement for encouraging or facilitating the holding of shares or other securities in the Company or any company associated with it by, or for the benefit of, any of the beneficiaries; or
 - 1.27.2 any scheme for sharing profits with the beneficiaries; and

(as far as permitted by law) to lend money to the beneficiaries with a view to enabling them to acquire shares or other securities in or of the Company or any other company associated with it.
- 1.28 To form, support, donate, or subscribe to, any charitable funds or institutions, or any benevolent schemes or projects of public or general interest, where the directors of the Company consider that the Company's support may be likely to benefit the Company, its shareholders, or any of the beneficiaries, directly or indirectly.
- 1.29 To set up and maintain any club or other establishment, or any scheme which is intended to advance the interests of the Company or of any of the beneficiaries.
- 1.30 To take out and renew insurance for, or for the benefit of, any of the beneficiaries.
- 1.31 The insurance referred to in sub-paragraph 1.30 above can include insurance against any liability which any of the beneficiaries have:
 - 1.31.1 as a result of anything they do, or do not do, in carrying out or trying to carry out their duties, or using or trying to use their powers in relation to the Company, or any of the qualifying bodies; or
 - 1.31.2 in any other way in connection with their duties, powers or posts in relation to the Company or any of the qualifying bodies.
- 1.32 To take out and renew insurance for, or for the benefit of, any trustees of any pension fund which the Company's employees, or employees of any of the qualifying bodies, are interested in.
- 1.33 The insurance mentioned in sub-paragraph 1.32 above can include insurance against any liability referred to in sub-paragraph 1.31 above in relation to their duties as trustees of any such pension funds.
- 1.34 To indemnify, or exempt any of the beneficiaries or the people referred to in sub-paragraph 1.32 above in any other way against, or from, any liability referred to in paragraphs 1.31 and 1.33 respectively so far as the law allows.

- 1.35** To pay and discharge all or any expenses, costs and disbursements, to pay commissions and to remunerate any person for services rendered or to be rendered, in connection with the formation, promotion and flotation of the Company and the underwriting or placing or issue at any time of any securities of the Company or of any other person.
- 1.36** To the extent permitted by law, to give financial assistance, directly or indirectly, for the acquisition of shares in the Company or any holding company of the Company or for the reduction or discharge of any liability incurred for the purpose of such an acquisition.
- 1.37** To issue, allot and grant options over securities of the Company:
- 1.37.1** for cash or otherwise; or
- 1.37.2** in payment or part payment for:
- (i) any property or rights therein purchased or otherwise acquired by the Company; or
- (ii) any services rendered to, or at the request of, or for the benefit of, the Company; or
- 1.37.3** as security for, or indemnity for, or towards satisfaction of, any liability or obligation undertaken or agreed to be undertaken by or for the benefit of the Company; or
- 1.37.4** in consideration of any obligation or liability (even if valued at less than the nominal value of such securities); or
- 1.37.5** for any other purpose.
- 1.38** To undertake and provide any service required in connection with or relating to individual insolvency or bankruptcy or the administration, receivership or winding-up of any company.
- 1.39** To acquire any property or any interest in such property, and:
- 1.39.1** to sell, feu, lease, exchange, hire, or otherwise dispose of; and
- 1.39.2** to improve, manage, develop, grant rights or privileges in respect of or otherwise deal with
- any such property or interest or otherwise turn the same to the Company's advantage.
- 1.40** To build, construct, maintain, alter, enlarge, pull down, remove or replace any—
- 1.40.1** buildings;
- 1.40.2** works;
- 1.40.3** plant and machinery; and
- 1.40.4** all other works and facilities which may seem to the directors of the Company necessary or convenient for the business of the Company or likely to be to the Company's advantage; and
- to work, manage and control the same or to join with any person in doing any of the above.
- 1.41** To apply for, register, purchase, develop or otherwise acquire and protect, prolong and renew intellectual property rights, including, but not limited to, any patents, trade marks, service marks, design rights, copyrights, licences and the like, or any secret or other information as to any invention or process, which in the opinion of the directors of the Company may be likely to be to the Company's advantage and:

1.41.1 to use, develop, manufacture under or grant licences in respect of, or

1.41.2 otherwise turn to account and expend money:

- (i) in experimenting upon and testing and carrying on all kinds of research and development work in connection with; and
- (ii) in improving or seeking to improve;

any such rights and information so developed, acquired or proposed to be acquired.

1.42 In any manner to invest and deal with the moneys of the Company not immediately required by it.

1.43 To:

1.43.1 enter into any arrangement with any:

- (i) government or other public body or authority;
- (ii) company; or
- (iii) individual; and

1.43.2 obtain from any such government, body, authority, company or individual all:

- (i) enactments;
- (ii) charters;
- (iii) contracts;
- (iv) decrees;
- (v) rights;
- (vi) concessions; and
- (vii) privileges;

which may seem to the directors of the Company to be conducive to the Company's purposes or any of them or likely to be to the Company's advantage; and

1.43.3 carry out, exercise and comply with any such:

- (i) enactments;
- (ii) charters;
- (iii) contracts;
- (iv) decrees;
- (v) rights;
- (vi) concessions; and
- (vii) privileges.

1.44 To distribute among the shareholders of the Company in specie or in kind any property of the Company, and in particular any securities of other companies belonging to the Company or of which the Company may have the power of disposing.

- 1.45** To advertise, market and sell the products and services of the Company and of any other person and to carry on the business:
- 1.45.1** of advertisers or advertising agents; or
 - 1.45.2** of a marketing and selling organisation; or
 - 1.45.3** of a supplier, wholesaler, retailer, merchant or any other dealer.
- 1.46** To provide:
- 1.46.1** technical;
 - 1.46.2** cultural;
 - 1.46.3** artistic;
 - 1.46.4** educational;
 - 1.46.5** entertainment; or
 - 1.46.6** business;
- material, facilities or services and to carry on any business involving any such provision.
- 1.47** To cease carrying on or wind up any business or activity of the Company and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory.
- 1.48** To secure all or any of the Company's liabilities in respect of money raised or borrowed, or any other debt or obligation of, or binding on, the Company, by mortgaging or charging all or any part of the undertaking, property and assets, present and future, and uncalled capital of the Company.
- 1.49** To transfer to any person any part of, or the whole or substantially the whole of, the business and undertaking of the Company and all or any rights and liabilities in connection therewith, or to receive from any person any part of, or the whole or substantially the whole of, the business and undertaking of such person and all or any rights and liabilities in connection therewith, whether pursuant to the Financial Services and Markets Act 2000 (c. 8) or by such other means as the directors of the Company think fit.
- 1.50** To establish and maintain branches and agencies in any part of the world.
- 1.51** To carry out any of the objects set out in sub-paragraphs 1.1 to 1.50:
- 1.51.1** as principal or agent;
 - 1.51.2** by or through trustees or agents;
 - 1.51.3** in partnership or on a joint account;
 - 1.51.4** as joint venture with any person; or
 - 1.51.5** in any other way;
- in any part of the world.
- 1.52** To carry on any other trade or business whatever which can, in the opinion of the directors of the Company:
- 1.52.1** be advantageously carried on by the Company in connection with, or incidental to:

- (i) any of the businesses referred to in sub-paragraphs 1.1 to 1.51; or
 - (ii) the general business of the Company; or
- 1.52.2** be calculated directly or indirectly to:
- (i) enhance the value of;
 - (ii) facilitate the realisation of; or
 - (iii) render profitable or more profitable;
- any of the property or rights of the Company; or

1.52.3 be likely to be to the Company's advantage.

1.53 To use any of the powers conferred above and do all such other things as may be deemed, or as the Company considers, incidental or conducive to the attainment of the above objects or any of them.

Interpretation

2 The following rules of interpretation apply to this Schedule 1.

2.1 The objects set out in paragraph 1 shall be construed in the widest manner possible and their construction shall not be restricted by the scope of any examples given in those objects.

2.2 Unless the context expressly requires it, the provisions of paragraph 1 will not be limited to, or restricted by:

2.2.1 any other object, or objects, set out in the other provisions of paragraph 1;

2.2.2 the terms of any other provision of paragraph 1; or

2.2.3 the Company's name.

2.3 None of the:

2.3.1 provisions or objects of; or

2.3.2 powers conferred by;

paragraph 1 shall be treated as subordinate to or incidental to any other such provision, object or power.

2.4 The Company shall have full power to use any of the powers conferred by, and to achieve or try to achieve any of the objects set out in, any one or more of the provisions of paragraph 1.

2.5 In this Schedule 1, unless the subject or context requires otherwise, the following terms shall have the following meanings:

“acquire” means to acquire in any way, including purchasing, taking options over, taking on lease or in exchange, hiring, subscribing for, or otherwise acquiring, and for any kind of estate or interest, whether directly or indirectly, by contract, tender, underwriting or in any other way and on any terms and conditions;

“the Company” means Bank of Scotland plc;

“company” includes any company or corporate body established anywhere in the world;

“holding company” has the same meaning as in the Companies Act 1985 (c. 6), except that it also includes any other parent undertaking, as defined in that Act;

“person” includes a body of persons corporate or unincorporated;

“property” includes real, heritable, moveable and personal property of any kind and any interest in, or right to, any such property;

“securities” include any shares, stocks, debentures, debenture stock, bonds, notes or warrants, whether fully or partly paid; and

“subsidiary” has the same meaning as in the Companies Act 1985, except that it also includes any other subsidiary undertaking, as defined in that Act.

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