

Reg No SC327000

**REVISED NEW REGULATIONS**

(Adopted by Special Resolution passed on 29<sup>th</sup> April 2008  
with effect from 1<sup>st</sup> October 2008)

of

**BANK of SCOTLAND plc**

## TABLE OF CONTENTS

1	TABLE A AND OTHER STANDARD REGULATIONS DO NOT APPLY .....	1
2	THE MEANING OF THE REGULATIONS.....	1
SHARE CAPITAL .....		5
3	FORM OF THE COMPANY'S SHARE CAPITAL .....	5
PREFERENCE SHARES.....		6
4	THE RIGHTS OF THE PREFERENCE SHARES.....	6
5	THE RIGHTS OF PREFERENCE SHARES TO SHARE IN PROFITS .....	23
6	THE RIGHTS OF PREFERENCE SHARES TO CAPITAL.....	25
7	REDEMPTION AND PURCHASE.....	25
8	PAYMENT .....	26
9	VOTING RIGHTS .....	26
10	VARIATION OF RIGHTS OF PREFERENCE SHARES .....	26
11	CONVERSION OF PREFERENCE SHARES INTO OTHER SHARES.....	28
12	THE POWER TO INCREASE CAPITAL.....	28
13	APPLICATION OF THE REGULATIONS TO NEW SHARES .....	28
14	THE POWER TO CHANGE CAPITAL .....	28
15	FRACTIONS OF SHARES .....	29
16	THE POWER TO REDUCE CAPITAL .....	29
17	BUYING BACK SHARES.....	29
SHARES.....		29
18	THE SPECIAL RIGHTS OF NEW SHARES .....	29
19	REDEEMABLE SHARES.....	30
20	THE DIRECTORS' POWERS TO DEAL WITH SHARES AND RENUNCIATIONS OF ALLOTTED BUT UNISSUED SHARES .....	30
21	RECOGNITION OF TRUSTS.....	30
SHARE CERTIFICATES .....		31
22	CERTIFICATES .....	31
23	REPLACEMENT SHARE CERTIFICATES .....	31
CALLS ON SHARES .....		31
24	THE DIRECTORS CAN MAKE CALLS ON SHARES .....	31
25	THE LIABILITY FOR CALLS .....	32
26	INTEREST ON UNPAID CALLS.....	32

27	SHAREHOLDERS MAY NOT EXERCISE THEIR RIGHTS UNTIL CALLS ARE PAID .....	32
28	CALLS CAN BE FOR DIFFERENT AMOUNTS.....	32
	<b>FORFEITING SHARES AND LIENS OVER SHARES .....</b>	<b>32</b>
29	NOTICE FOLLOWING NON-PAYMENT OF A CALL.....	32
30	CONTENTS OF THE NOTICE.....	32
31	FORFEITURE IF THE NOTICE IS NOT COMPLIED WITH .....	33
32	FORFEITURE WILL INCLUDE UNPAID DIVIDENDS .....	33
33	DEALING WITH FORFEITED SHARES.....	33
34	CANCELLING FORFEITURE.....	33
35	THE POSITION OF SHAREHOLDERS AFTER FORFEITURE .....	33
36	THE COMPANY’S LIEN ON SHARES .....	33
37	ENFORCING THE LIEN BY SELLING THE SHARES.....	33
38	USING THE PROCEEDS OF THE SALE.....	34
39	EVIDENCE OF FORFEITURE OR SALE .....	34
	<b>CHANGING SHARE RIGHTS.....</b>	<b>34</b>
40	CHANGING THE SPECIAL RIGHTS OF SHARES.....	34
41	MORE ABOUT THE SPECIAL RIGHTS OF SHARES .....	35
	<b>TRANSFERRING SHARES .....</b>	<b>35</b>
42	TRANSFER FORMS .....	35
43	MORE ABOUT TRANSFERS.....	35
44	RESTRICTIONS ON TRANSFER .....	36
45	CLOSING THE REGISTER.....	36
46	OVERSEAS BRANCH REGISTERS.....	36
	<b>GENERAL MEETINGS .....</b>	<b>36</b>
47	THE ANNUAL GENERAL MEETING.....	36
48	CONVENING GENERAL MEETINGS OTHER THAN ANNUAL GENERAL MEETINGS.....	36
49	NOTICE OF MEETINGS.....	36
	<b>PROCEEDINGS AT GENERAL MEETINGS .....</b>	<b>37</b>
50	THE CHAIRMAN OF A MEETING.....	37
51	THE QUORUM NEEDED FOR MEETINGS .....	37

52	THE PROCEDURE IF THERE IS NO QUORUM .....	37
53	ADJOURNING MEETINGS.....	38
	<b>VOTING PROCEDURES .....</b>	<b>38</b>
54	HOW VOTES ARE TAKEN.....	38
55	HOW A POLL IS TAKEN .....	38
56	WHERE THERE CANNOT BE A POLL .....	38
57	A MEETING CONTINUES AFTER A POLL IS DEMANDED.....	38
58	TIMING OF A POLL .....	39
59	THE CHAIRMAN OF THE MEETING'S CASTING VOTE .....	39
60	THE EFFECT OF A DECLARATION BY THE CHAIRMAN OF THE MEETING.....	39
	<b>VOTING RIGHTS .....</b>	<b>39</b>
61	THE VOTES OF SHAREHOLDERS.....	39
62	COMPLETING PROXY FORMS .....	39
63	DELIVERING PROXY FORMS.....	40
64	REVOCAION OF PROXIES .....	40
65	PROXIES SPEAKING AT MEETINGS .....	41
66	COMPANY REPRESENTATIVES .....	41
67	CHALLENGING VOTES.....	41
	<b>DIRECTORS .....</b>	<b>41</b>
68	THE NUMBER OF DIRECTORS.....	41
69	DIRECTORS' FEES AND EXPENSES .....	41
70	OTHER REMUNERATION .....	42
71	DIRECTORS' EXPENSES .....	42
73	APPOINTING DIRECTORS TO VARIOUS POSTS.....	42
74	GOVERNOR .....	43
	<b>CHANGING DIRECTORS .....</b>	<b>43</b>
75	THE POWER TO APPOINT AND REMOVE DIRECTORS .....	43
76	WHEN DIRECTORS ARE DISQUALIFIED .....	43
	<b>DIRECTORS' MEETINGS .....</b>	<b>44</b>
77	DIRECTORS' MEETINGS.....	44
78	WHO CAN CALL DIRECTORS' MEETINGS.....	44
79	HOW DIRECTORS' MEETINGS ARE CALLED .....	44

80	QUORUM .....	44
81	THE CHAIRMAN OF DIRECTORS' MEETINGS .....	44
82	VOTING AT DIRECTORS' MEETINGS .....	44
83	DIRECTORS CAN ACT EVEN IF THERE ARE VACANCIES.....	44
84	DIRECTORS' MEETINGS BY ELECTRONIC MEANS OR BY TELEPHONE.....	44
85	RESOLUTIONS IN WRITING .....	45
86	THE VALIDITY OF DIRECTORS' ACTIONS .....	45
	 DIRECTORS' COMMITTEES .....	 50
93	DELEGATING POWERS TO COMMITTEES AND SUB-COMMITTEES .....	50
94	COMMITTEE PROCEDURE .....	50
	 DIRECTORS' POWERS .....	 50
95	THE DIRECTORS' MANAGEMENT POWERS.....	50
96	THE POWER TO APPOINT MANAGERS OR AGENTS.....	50
97	THE POWER TO APPOINT ATTORNEYS .....	51
98	SIGNATURE ON CHEQUES ETC .....	51
99	BORROWING POWERS .....	51
100	PROVISION FOR EMPLOYEES.....	51
	 ALTERNATE DIRECTORS.....	 51
101	ALTERNATE DIRECTORS.....	52
	 MINUTES.....	 52
102	KEEPING MINUTES .....	52
	 THE SECRETARY .....	 52
103	THE SECRETARY AND DEPUTY AND ASSISTANT SECRETARIES.....	53
	THE SEAL AND EXECUTION OF DOCUMENTS .....	53
104	THE SEAL AND EXECUTION OF DOCUMENTS .....	53
	AUTHENTICATING DOCUMENTS .....	53
105	ESTABLISHING THAT DOCUMENTS ARE GENUINE .....	53
	 RESERVES.....	 54
106	SETTING UP RESERVES.....	54
107	ASSETS BOUGHT AS FROM A PAST DATE.....	54

<b>DIVIDENDS</b> .....	<b>54</b>
<b>108 FINAL DIVIDENDS</b> .....	<b>54</b>
<b>109 FIXED AND INTERIM DIVIDENDS</b> .....	<b>54</b>
<b>110 DISTRIBUTIONS IN KIND</b> .....	<b>55</b>
<b>111 NO DIVIDENDS ARE PAYABLE EXCEPT OUT OF PROFITS</b> .....	<b>55</b>
<b>112 APPORTIONING DIVIDENDS</b> .....	<b>55</b>
<b>113 DEDUCTING AMOUNTS OWING FROM DIVIDENDS AND OTHER MONEY</b> .....	<b>55</b>
<b>114 PAYMENTS TO SHAREHOLDERS</b> .....	<b>55</b>
<b>115 RECORD DATES FOR PAYMENTS AND OTHER MATTERS</b> .....	<b>55</b>
<b>116 WAIVER OF DIVIDENDS</b> .....	<b>56</b>
<b>CAPITALISING RESERVES</b> .....	<b>56</b>
<b>117 CAPITALISING RESERVES</b> .....	<b>56</b>
<b>ACCOUNTS</b> .....	<b>57</b>
<b>118 ACCOUNTING AND OTHER RECORDS</b> .....	<b>57</b>
<b>119 LOCATION AND INSPECTION OF RECORDS</b> .....	<b>57</b>
<b>AUDITORS</b> .....	<b>57</b>
<b>120 ACTS OF AUDITORS</b> .....	<b>57</b>
<b>121 AUDITORS AT GENERAL MEETINGS</b> .....	<b>57</b>
<b>COMMUNICATIONS</b> .....	<b>57</b>
<b>122 COMMUNICATIONS TO THE COMPANY</b> .....	<b>57</b>
<b>123 COMMUNICATIONS BY THE COMPANY</b> .....	<b>58</b>
<b>124 WHEN COMMUNICATION IS DEEMED RECEIVED</b> .....	<b>58</b>
<b>125 RECORD DATE FOR COMMUNICATIONS</b> .....	<b>59</b>
<b>126 COMMUNICATION TO PERSON ENTITLED TO SHARES BY LAW</b> .....	<b>59</b>
<b>127 SERVING DOCUMENTS ON THE COMPANY</b> .....	<b>59</b>
<b>WINDING UP</b> .....	<b>59</b>
<b>128 DIRECTORS' POWER TO PETITION</b> .....	<b>59</b>
<b>129 DISTRIBUTION OF ASSETS IN KIND</b> .....	<b>59</b>
<b>DESTROYING DOCUMENTS</b> .....	<b>59</b>
<b>130 DESTROYING DOCUMENTS AND DELETING DOCUMENTS HELD IN ELECTRONIC FORM</b> .....	<b>60</b>

<b>INDEMNITY AND INSURANCE .....</b>	<b>60</b>
<b>131 INDEMNITY.....</b>	<b>60</b>
<b>132 INSURANCE.....</b>	<b>60</b>
<b>133 DEFENCE COSTS.....</b>	<b>61</b>

## 1 Table A and other standard regulations do not apply

The regulations in Table A of the Companies (Tables A to F) Regulations 1985, Table A to the Companies (Tables A to F) Amendment Regulations 2007 (and any amendments thereto) and the model articles for public companies adopted pursuant to the CA 2006 (and any similar regulations under any other legislation relating to companies) do not apply to **the Company**.

## 2 The meaning of the Regulations

2.1 The following table gives the meaning of certain words and expressions as they are used in the **Regulations**. However, the meaning given in the table does not apply if it is not consistent with the context in which a word or expression appears. Throughout the **Regulations**, those words and expressions defined in this **Regulation 2.1** are printed in bold.

<b>Words</b>	<b>Definitions</b>
<b>amount</b> (of a share)	This refers to the nominal amount of the share.
<b>Auditors</b>	<b>The Company's</b> auditors.
<b>CA 1985</b>	The Companies Act 1985.
<b>CA 2006</b>	The Companies Act 2006
<b>Chairman</b>	The chairman of the board of Directors.
<b>Class A Perpetual Preference Shares</b>	8.117% non-cumulative redeemable Preference Shares of £10 each in the capital of <b>the Company</b> .
<b>Class B Perpetual Preference Shares</b>	7.754% non-cumulative redeemable Preference Shares of £10 each in the capital of <b>the Company</b> .
<b>clear days</b>	In relation to the period of notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect.
<b>company</b>	Includes any company or corporate body established anywhere in the world.
<b>the Company</b>	Bank of Scotland plc.
<b>Convertible Preference Shares</b>	Preference Shares which will or may be converted into Ordinary Shares or other securities of <b>the Company</b> .
<b>Directors</b>	The executive and non-executive directors of <b>the Company</b> who make up its board of Directors.
<b>Disclosure and Transparency Rules</b>	The Disclosure and Transparency Rules for the time being in force, as published by the <b>FSA</b> in its handbook of Rules and Guidance
<b>electronic form</b>	Has the same meaning as in the CA 2006
<b>electronic means</b>	Has the same meaning as in the CA 2006
<b>electronic signature</b>	Has the same meaning as in Section 7 of the Communications Act 2000



<b>Words</b>	<b>Definitions</b>
<b>existing Preference Shares</b>	Preference Shares which are in issue at the relevant time.
<b>existing shares (of any kind)</b>	Shares which are in issue at the relevant time.
<b>FSA</b>	The Financial Services Authority or any other person or body which is the regulator of <b>the Company's</b> business at the relevant time.
<b>Governor</b>	The Governor of <b>the Company</b> .
<b>Group</b>	<b>The Company</b> together with its subsidiaries.
<b>hard copy form</b>	Has the same meaning as in the CA 2006
<b>holding company</b>	Has the same meaning as in the CA 1985
<b>Initial Preference Shares</b>	The 9¼ per cent. Preference Shares and 9¾ per cent. Preference Shares.
<b>in writing</b>	Any method of reproducing words in a legible form except in relation to Regulation 10.1 where it shall have the meaning set out in Regulation 10.4
<b>legislation</b>	The CA 1985, CA 2006 and all other laws and regulations applying to <b>the Company</b> .
<b>Ordinary Resolution</b>	A resolution passed by a simple majority of such shareholders as (being entitled to do so) vote in person or, where proxies are allowed, by proxy at a General Meeting of <b>the Company</b> .
<b>Ordinary Shares</b>	<b>The Company's</b> ordinary shares.
<b>Ordinary Shareholder</b>	A holder of <b>the Company's</b> Ordinary Shares.
<b>paid-up share</b>	Includes a share which is treated (credited) as paid up.
<b>Parent Company</b>	HBOS plc, a company incorporated in Scotland under the CA 1985 with the registered number 218813.
<b>pay</b>	Includes any kind of reward or payment for services.
<b>Perpetual Preference Shares</b>	The Class A Perpetual Preference Shares and the Class B Perpetual Preference Shares.
<b>Preference Dividend</b>	Has the meaning ascribed thereto in Regulation 4.2.1(i).
<b>Preference Shareholder</b>	A holder of <b>the Company's</b> Preference Shares.
<b>Preference Shares</b>	<b>The Company's</b> 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.

<b>Words</b>	<b>Definitions</b>
<b>9¼ per cent. Preference Shares</b>	The non-cumulative irredeemable Preference Shares in the capital of <b>the Company</b> which have a dividend rate of 9¼ per cent. each year.
<b>9¾ per cent. Preference Shares</b>	The non-cumulative irredeemable Preference Shares in the capital of <b>the Company</b> which have a dividend rate of 9¾ per cent. each year.
<b>proxy notification address</b>	The address or addresses specified in a notice of a meeting or in any other information issued by <b>the Company</b> in relation to a meeting (or, as the case may be, an adjourned meeting or a poll) for the receipt of proxy notices relating to that meeting (or adjourned meeting, or poll) or, if no such address is specified, the address where the <b>Register</b> is kept
<b>qualifying person</b>	An individual who is a shareholder of <b>the Company</b> or a person authorised to act as a company representative or a person appointed as proxy of a <b>shareholder</b> in relation to a General Meeting
<b>Redeemable Preference Shares</b>	Preference Shares which are to be redeemed or are liable to be redeemed.
<b>Redemption Date</b>	Except where otherwise specifically defined in these Regulations, the date on which Redeemable Preference Shares are to be redeemed.
<b>Register</b>	<b>The Company's</b> register of members.
<b>Registered Office</b>	<b>The Company's</b> registered office.
<b>Regulations</b>	<b>The Company's</b> Regulations.
<b>rights (of any share)</b>	The rights attached to the share at the time it is issued or at any later time.
<b>Seal</b>	<b>The Company's</b> Common Seal or any official seal kept by <b>the Company</b> under Section 40 of the CA 1985 (called a "Securities Seal").
<b>Secretary</b>	Any person appointed by the Directors to do work as <b>the Company</b> Secretary including (without limit) any deputy or assistant secretary.
<b>share capital</b>	This refers to <b>the Company's</b> authorised share capital.
<b>shareholder</b>	A holder of <b>the Company's</b> shares.
<b>shareholders meeting</b>	Includes both a General Meeting of <b>the Company</b> and a meeting of holders of any class of <b>the Company's</b> shares.
<b>subsidiary</b>	A "subsidiary undertaking", as defined in Section 258 of the <b>CA 1985</b> .
<b>terms of a share</b>	The terms on which a share is issued or such terms as subsequently amended.
<b>United Kingdom</b>	Great Britain and Northern Ireland.

**Words  
working day**

**Definitions**

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 References to “**debenture**” include “**debenture stock**” and references to a “**debenture holder**” include a “**debenture stockholder**”.
- 2.3 Words which are in the singular may also be read as being in the plural and the other way around.
- 2.4 Words which are in the masculine form may also be read as referring to the feminine or to other bodies or persons.
- 2.5 References to a “**person**” or “**people**” include any **company**, corporate body, partnership, firm, government authority, body or society (whether incorporated or not).
- 2.6 Any headings in the **Regulations** are only included for convenience. They do not affect the meaning of the **Regulations**.
- 2.7 When an Act, or a section of an Act, is referred to, this includes any amendment to the Act or the section, as well as its inclusion or re-enactment (with or without modification) in a later Act.
- 2.8 References to an Act or the **Regulations** are to the version which is current at any particular time.
- 2.9 Where the **Regulations** give any power or authority to any person, this power or authority can be used on any number of occasions, unless the way in which the words are used does not allow this meaning.
- 2.10 Any word which is defined in the **CA 1985** or the **CA 2006** means the same in the **Regulations**, unless the **Regulations** define it differently or the way in which the word is used is inconsistent with the definition given in the relevant legislation.
- 2.11 Where the **Regulations** say that anything can be done by passing an **Ordinary Resolution**, this can also be done by passing a Special Resolution or an Extraordinary Resolution.
- 2.12 Where the **Regulations** refer to changing the **amount** of shares, this means doing any or all of the following:
- subdividing the shares into other shares with a smaller nominal amount;
  - consolidating the shares into other shares with a larger nominal amount; and
  - dividing shares which have been consolidated into shares with a larger nominal amount than the original shares had.
- 2.13 Where the **Regulations** refer to any document being “**made effective**”, this means being signed, sealed or executed in some other legally valid way.
- 2.14 Where the **Regulations** refer to “months” or “years”, these are calendar months or years.

- 2.15 The **Regulations** which apply to fully paid shares can also apply to stock. References in the **Regulations** to “share” or “shareholder” include “stock” or “stockholder”.
- 2.16 For the purposes of **Regulations** 85 and 101 where the **Regulations** refer to a signature or to something being signed or executed this includes a signature printed or reproduced by mechanical or other means or any stamp or other distinctive marking made by or with the authority of the person required to sign the document to indicate it is approved by such person, or in respect communications in electronic form which the **Directors** may from time to time specify, or where no means has otherwise been specified by the **Directors**, an electronic signature (which shall be a manner of authentication specified by the **Company** for the purposes of section 1146(3)(b) of the CA 2006), provided that the **Company** has no reason to doubt the authenticity of that electronic signature.
- 2.17 Where the **Regulations** refer to “address”, this includes, in relation to a communication by **electronic means**, any number or address (including an email address) used for the purpose of such communication.
- 2.18 References to a meeting shall not be taken as requiring more than one person to be present if any quorum requirement can be satisfied by one person.

## SHARE CAPITAL

### 3 Form of the Company’s Share Capital

- 3.1 **The Company’s share capital** at the date of adoption of these Regulations consists of (i) 3,085,301,755 **Ordinary Shares** of 25p each, (ii) 375,000,000 **9¼ per cent. Preference Shares** of £1 each, (iii) 125,000,000 **9¾ per cent. Preference Shares** of £1 each, (iv) 250,000 **Class A Perpetual Preference Shares** of £10 each and (v) 150,000 **Class B Perpetual Preference Shares** of £10 each.

Note:

On 23 December 2008, the share capital of the company was increased from £1,275,325,438.75 to £2,525,325,438.75 by the creation of an additional 5,000,000,000 Ordinary Shares of 25p each.

On 27 February 2009, the share capital of the company was increased from £2,525,325,438.75 to £6,525,325,438.75 by the creation of an additional 16,000,000,000 Ordinary Shares of 25p each.

On 14 October 2009, the 9¼% per cent Preference Shares of £1 each and the 9¾% per cent Preference Shares of £1 each were cancelled.

- 3.2 The rights of **the Company’s Ordinary Shares** to income and capital are as follows:

3.2.1 Rights to income

Any profits of any financial year which the **Directors** or **Ordinary Shareholders** (subject to **Regulation** 111) 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.

3.2.2 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

### 4 The rights of the Preference Shares

4.1 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 **Regulations 4.2, 4.3, 4.4 and 4.5** 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 **Regulations 4.6 to 4.9 inclusive and Regulations 5 to 11 inclusive**. In the event of any conflict or inconsistency between the respective provisions of **Regulations 4.2, 4.3, 4.4 and 4.5** and any other **Regulations**, 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 **Regulations 4.2, 4.3, 4.4 and 4.5** shall prevail.

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

#### 4.2.1 Income

- (i) The **9¼ per cent. Preference Shares** shall (subject to the further provisions of this paragraph) 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 **29<sup>th</sup> 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 sub-paragraph (vi) below or to paragraph 4.2.4 of this **Regulation** 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 sub-paragraph (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 sub-paragraph, 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 paragraph, 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 sub-paragraph (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 sub-paragraph (iii) or sub-paragraph (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 sub-paragraph shall apply where any instalment of the **Preference Dividend** is, for the reasons specified in sub-paragraph (iii) or sub-paragraph (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 sub-paragraph to be made in full.
- (b) For the purposes of this sub-paragraph:-
- (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 sub-paragraph 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 sub-paragraph 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 sub-paragraph, 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 paragraph.

#### 4.2.2 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 sub-paragraph (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 paragraph 4.2.1 of this **Regulation** 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 paragraph 4.2.1 of this **Regulation** calculated at the annual rate specified in sub-paragraph (i) of that paragraph 4.2.1 in respect of the number of days included in the period commencing with whichever of 1<sup>st</sup> March or 1<sup>st</sup> 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 sub-paragraph (i) of paragraph 4.2.1 of this **Regulation**, but subject always to the provisions of sub-paragraphs (iii), (iv) and (v) of that paragraph.
- (iii) The amounts payable or repayable under sub-paragraphs (i) and (ii) of this paragraph 4.2.2 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.

#### 4.2.3 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 **Regulation 40**)

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 **Regulation 66**) 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.

#### 4.2.4 Further Shares

- (i) Save as provided in paragraph 4.2.1(vi) of this **Regulation** and in this paragraph, **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 **Regulations**:-

(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

- (1) 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,
  - (2) 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**),
  - (3) 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,
  - (4) excluding any sums set aside for future taxation (including deferred taxation),
  - (5) excluding any amounts attributable to outside interests in **subsidiaries**,
  - (6) 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
  - (7) 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 sub-paragraph of this **Regulation** 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 sub-paragraph 4.2.4 (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 sub-paragraph 4.2.4 (ii) above.

4.3 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 **Regulations** save that:-

4.3.1 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

4.3.2 the provisions of these **Regulations** 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 **Regulation 4.2.1(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 **Regulation 4.2.1(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 **Regulation 117.5** 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.

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

4.4.1 Definitions

In this **Regulation 4.4**, except to the extent that the context otherwise requires and notwithstanding anything to the contrary in **Regulation 2.1**:

"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 31<sup>st</sup> 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 paragraph 4.4.2, have been paid;

"Additional Amounts" has the meaning given to that term in paragraph 4.4.6;

"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 **Regulations** to holders of Existing Preference Shares where an instalment of the preference dividend thereon is not paid for the reasons specified in these **Regulations**;

"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 31<sup>st</sup> May and 30<sup>th</sup> 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 paragraph 4.4.2(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 paragraph 4.4.2 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 paragraphs 4.4.4(iii) or 4.4.4(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 **Regulations** to the holders thereof where an instalment of the preference dividend thereon is not paid for the reasons specified in these **Regulations**;

"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 31<sup>st</sup> 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 **Regulations** 123 – 126;

"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 paragraph 4.4.2(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 **Regulations** 123 – 126;

"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 **Regulations** 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.

#### 4.4.2 Dividends

- (i) Subject as provided in sub-paragraph 4.4.2 (iii), non-cumulative preferential cash dividends on the Perpetual Preference Shares ("Dividends") shall accrue from whichever of 31<sup>st</sup> May and 30<sup>th</sup> 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 31<sup>st</sup> May and 30<sup>th</sup> 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 paragraph 4.4.2(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 paragraph 4.4.2(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 paragraph 4.4.2(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 paragraph 4.4.2(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 **Regulations 123 - 126**, 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**.

#### 4.4.3 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 paragraph 4.4.3(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**.

#### 4.4.4 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 paragraphs 4.4.4(ii), 4.4.4(iii) and 4.4.4(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 paragraphs 4.4.4(v) to 4.4.4 (viii) of this **Regulation**.
- (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 paragraphs 4.4.4(v) to 4.4.4(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 paragraphs 4.4.4(v) to 4.4.4(viii).

- (v) In order to effect redemption of the Perpetual Preference Shares as described in paragraph 4.4.4(ii), 4.4.4(iii) and 4.4.4(iv) **the Company** shall pay to the Holders an amount equal to the Optional Retirement Price in the case of Economic Retirement under paragraph 4.4.4(ii), the Tax Retirement Price in the case of redemption under paragraph 4.4.4(iii) or the Regulatory Retirement Price in the case of redemption under paragraph 4.4.4(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 **Regulations** 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 paragraphs 4.3.4(ii), 4.3.4(iii) or 4.3.4(iv), no similar notice may be given under either of the other paragraphs. If at any time the Perpetual Preference Shares may be redeemed under more than one such paragraph, the **Directors** may elect under which paragraph 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.

#### 4.4.5 Ranking

Unless with the prior consent of the Holders in accordance with these **Regulations**, **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.

#### 4.4.6 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 **Regulations** and to the limitations provided in paragraphs 4.4.2(iii) and 4.4.3(i).

#### 4.4.7 Payments

- (i) Dividends will be payable subject to these **Regulations** 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 paragraphs 4.4.4(ii), (iii) or (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 paragraph 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 paragraph 4.4.2(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.

#### 4.4.8 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 **Regulation 40**. At any such meeting, every **shareholder** holding Perpetual Preference Shares present in person (including by a corporate representative authorised in accordance with **Regulation 66.1**) 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 **Regulation 40** 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 **Regulations**.
  - (vi) For the purposes of paragraphs 4.4.2(v) and 4.4.8(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 paragraph (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.).

#### 4.4.9 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 **Regulations**, shall be published in a leading Luxembourg newspaper which is expected to be the Luxemburger Wort.

#### 4.4.10 Form

The Perpetual Preference Shares will be issued in registered form.

#### 4.4.11 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 paragraph 4.4.11(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.

#### 4.4.12 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.

**Regulation 14** will apply to any change to the amount of Perpetual Preference Shares which is carried out under this **Regulation 4.4.12**.

#### 4.5 The rights attaching to the **Class B Perpetual Preference Shares** are identical to those of the **Class A Perpetual Preference Shares** set out in **Regulation 4.4**, except that in

- 4.5.1 the definition of "Dividend Rate" and paragraph 4.4.2(ii)(a), the rate "8.117 per cent." is deleted and replaced by "7.754 per cent.";
- 4.5.2 the definition of "Margin", the rate of "3.85 per cent." is deleted and replaced by "4.20 per cent.";
- 4.5.3 in the definition of "Actual/Actual Basis" and in paragraph 4.4.2, 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";

4.5.4 in the definition of "Actual/Actual Basis" and in paragraphs 4.4.2 and 4.4.8(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";

4.5.5 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**";

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

4.6 **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 **Regulations**. 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 **Regulations** 4.7 to 4.9 and 5 to 11 inclusive below.

4.7 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.

4.8 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.

4.9 In addition to the provisions of **Regulations** 4.6 to 4.8 and 5 to 11, the **Directors** may decide any other terms or conditions of issue of a series of **Preference Shares** whatsoever.

## 5 **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 **Regulations** 5.1 to 5.5 inclusive below.

### 5.1 **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;

### 5.2 **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;

### 5.3 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;

### 5.4 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;

### 5.5 Shares in lieu of dividend

5.5.1 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.

5.5.2 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**.

5.5.3 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.

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

5.5.4.1 capitalise from the reserves a sum equal to the total nominal value of such **Preference Shares**;

5.5.4.2 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**;

5.5.4.3 allot and issue the additional **Preference Shares** to the holders of the **Preference Shares** entitled to them; and

5.5.4.4 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.

5.5.5 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:

5.5.5.1 there is not enough authorised **share capital**; and/or

5.5.5.2 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**.

5.5.6 The **Directors** can do anything which they think is necessary or convenient to carry out what is required by this **Regulation 5.5**.

## 6 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.

## 7 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:

- 7.1 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;
- 7.2 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
- 7.3 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:
  - 7.3.1 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**;
  - 7.3.2 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
  - 7.3.3 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;



## 8 Payment

- 8.1 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.
- 8.2 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.

## 9 Voting Rights

- 9.1 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.
- 9.2 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.
- 9.3 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.

## 10 Variation of rights of Preference Shares

- 10.1 A variation or abrogation of **rights** attached to any particular series of **Preference Shares** can only take place if:
- 10.1.1 holders of at least three quarters in nominal value of all **existing Preference Shares** of the relevant series agree **in writing**; or
- 10.1.2 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 **Regulation 40.3**.

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**).

- 10.2 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:

- 10.2.1 any other series of **Preference Shares** is created or issued;
- 10.2.2 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
- 10.2.3 **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**.

- 10.3 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:
  - 10.3.1 the rate of the dividend on the new shares can be different;
  - 10.3.2 the way that the dividend is worked out can be different including, without limitation, whether the dividend is cumulative or non-cumulative;
  - 10.3.3 the circumstances (if any) in which a dividend can be paid or cannot be paid can be different;
  - 10.3.4 the payment dates for dividends can be different;
  - 10.3.5 the date from when the new shares are entitled to dividends can be different;
  - 10.3.6 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**;
  - 10.3.7 **the Company** can redeem the new shares or they can be non-redeemable whether or not **existing Preference Shares** are **Redeemable Preference Shares**;
  - 10.3.8 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**;
  - 10.3.9 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**;
  - 10.3.10 the new shares and dividends payable in respect of those shares can be in any currency or denomination; and/or
  - 10.3.11 the new shares can be in any basket of currencies if the **legislation** allows.
- 10.4 "In writing", for the purposes of **Regulation 10.1** 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.

## 11 Conversion of Preference Shares into other shares

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

- 11.1 Decide that such **Preference Shares** shall be **Convertible Preference Shares** which:
  - 11.1.1 will upon certain dates or in certain circumstances; or
  - 11.1.2 may at the option of **the Company** upon certain dates or in certain circumstances; or
  - 11.1.3 may at the option of the **Preference Shareholder** upon certain dates or in certain circumstances,be converted into:
  - 11.1.4 **Ordinary Shares**; or
  - 11.1.5 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
  - 11.1.6 any other type of securities whatsoever,
- 11.2 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;
- 11.3 Subject to the **legislation**, decide the manner in which such conversion shall be effected:
- 11.4 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:
  - 11.4.1 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
  - 11.4.2 receive any redemption money payable to the relevant **Preference Shareholder** prior to subscription for such shares or other securities;
- 11.5 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.

## 12 The power to increase capital

**The Company's shareholders** can increase **the Company's share capital** by passing an **Ordinary Resolution**. This resolution will fix the amount of the increase, the nominal amount of the new shares and the currency or currencies of the shares.

## 13 Application of the Regulations to new shares

Subject to the terms of issue of new shares, the provisions of the **Regulations** will apply to new shares in the same way as if they were part of **the Company's existing share capital**.

## 14 The power to change capital

**The Company's shareholders** can pass **Ordinary Resolutions** to do any of the following:

- consolidate, or consolidate and then divide, all or any of its **share capital** into shares of a larger nominal amount than the **existing shares**;
- 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;
- 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
- convert all or any of its paid-up shares into stock, and re-convert that stock into paid-up shares of any denomination.

#### 15 Fractions of shares

If any shares are consolidated or sub-divided, the **Directors** have power to deal with any fractions of shares which result from the consolidation or sub-division as they see fit. If the **Directors** decide to sell any shares representing fractions, they can do so for the best price reasonably obtainable and distribute the net proceeds of sale among **shareholders** in proportion to their fractional entitlements. The **Directors** can sell those shares to any person (including **the Company**, if the **legislation** allows this) and can authorise any person to transfer those shares to the buyer. The buyer does not need to take any steps to see how any money he is paying is used and his ownership will not be affected if the sale was irregular or invalid in any way.

#### 16 The power to reduce capital

Subject to the terms of any **Preference Shares** in issue, **the Company's shareholders** can pass Special Resolutions to do any of the following:

- reduce its **share capital** in any way; and
- reduce any capital redemption reserve or share premium account in any way.

#### 17 Buying back shares

Subject to the terms of any **Preference Shares** in issue, **the Company** can buy back, or agree to buy back in the future, any shares of any class (including redeemable shares), if the **legislation** allows this. However, if **the Company** has **existing shares** which are convertible into other shares which are equity securities of the class to be purchased, then **the Company** can only buy back equity securities of that class if either:

- the terms of issue of the convertible shares permit **the Company** to buy back equity securities; or
- the buy-back or agreement to buy back has been approved by an Extraordinary Resolution passed by the holders of the convertible shares.

### SHARES

#### 18 The special rights of new shares

18.1 Subject to **Regulation 18.4**, 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.
- 18.2 The **rights** and restrictions referred to in **Regulation 18.1** can be set out in the **Regulations**, 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**.
- 18.3 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.
- 18.4 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 **Regulation 40**.
- 18.5 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. **Regulations 42 to 46** (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 **Regulation 18.5** applies if they are not transferred with the other right or security.

## 19 Redeemable Shares

Subject to the provisions of the **CA 1985** and to any rights previously conferred on the holders of any other shares, any share may be issued which is to be redeemed, or is liable to be redeemed at the option of **the Company** or the holder.

## 20 The Directors' powers to deal with shares and renunciations of allotted but unissued shares

20.1 The **Directors** can decide how to deal with any shares which have not been issued. The **Directors** can allot them on any terms, which can include the right to transfer the allotment to another person before any person has been entered on the **Register**. This is known as the right to renounce the allotment. The **Directors** can also grant options to give people an opportunity to acquire shares in the future. The **Directors** can dispose of the shares in any other way which they consider appropriate. The **Directors** are free to decide who they deal with, when they deal with the shares and the terms on which they deal with the shares. However, in making their decision they must obey:

- the provisions of the **legislation** relating to authority, pre-emption rights and other matters; and
- any resolution of a General Meeting which is passed under the **legislation**.

20.2 Where a share has been allotted to a person but that person has not yet been entered on the **Register**, the **Directors** can recognise a transfer (called a "renunciation") by that person of his right to the share in favour of some other person. The ability to renounce allotments only applies if the terms on which the share is allotted are consistent with renunciation. The **Directors** can impose conditions regulating renunciation rights.

## 21 Recognition of trusts

**The Company** shall not be bound to recognise but shall be entitled to recognise, in such manner and to such extent as it may think fit, notices of any trusts in respect of any shares of **the Company**. Notwithstanding any such recognition, **the Company** shall not be bound to see to the execution, administration or observance of any trust, whether expressed, implied or constructive, in respect of any shares of **the Company** and shall be entitled to recognise and give effect to the acts and deeds of the holders of such shares as if they were the absolute

owners thereof. For the purposes of this **Regulation** “trust” includes any right in respect of any shares of **the Company** other than an absolute right thereto in the registered holder thereof.

## SHARE CERTIFICATES

### 22 Certificates

22.1 When a **shareholder** is first registered as the holder of any class of shares he is entitled, free of charge, to a separate share certificate for the shares of each class held by him.

22.2 If a **shareholder** gets more shares of any class, he is entitled, free of charge, to another certificate for the extra shares.

22.3 If a **shareholder** transfers part of his shares covered by a certificate, he is entitled, free of charge, to a new certificate for the balance.

22.4 Share certificates can be:

- signed by one or more **Directors** or by the **Secretary** or by any other person authorised by the **Directors**;
- sealed with the **Seal** or the **Securities Seal**; or
- sealed with the **Seal** or the **Securities Seal** with a copy of the signature(s) of one or more **Directors** or by the **Secretary** or by any other person authorised by the **Directors**.

22.5 A share certificate must state the number and class of shares to which it relates and the amount paid up on those shares. It cannot be for shares of more than one class.

### 23 Replacement share certificates

23.1 A **shareholder** can ask **the Company** for a new certificate if the original is:

- damaged or defaced; or
- said to be lost, stolen or destroyed.

23.2 If a certificate has been damaged or defaced, **the Company** can require the certificate to be returned to it before issuing a replacement. If a certificate is said to be lost, stolen or destroyed, **the Company** can require satisfactory evidence of this and insist on receiving an indemnity before issuing a replacement.

## CALLS ON SHARES

### 24 The Directors can make calls on shares

The **Directors** can call on **shareholders** to pay any money which has not yet been paid to **the Company** for their shares. This includes the nominal value of the shares and any premium which may be payable on those shares. If the terms of issue of the shares allow this, the **Directors** can do any one or more of the following:

- make calls at any time and as often as they think fit;
- decide when and where the money is to be paid;
- decide that the money may be paid by instalments;
- revoke or postpone any call.

A call is treated as having been made as soon as the **Directors** pass a resolution authorising it.

## 25 **The liability for calls**

A **shareholder** who has received at least 14 days' notice giving details of the amount called and of the time and place for payment, must pay the call as required by the notice.

## 26 **Interest on unpaid calls**

If the person due to pay any money called for in this way does not pay it by the day that it is due, he is liable to pay interest on the money. This interest will run from the day the money is due until it has actually been paid. The yearly interest rate will be fixed by the **Directors** (subject to a maximum of 15 per cent.) or if no rate is fixed, the appropriate rate (as defined by the **CA 1985**). The **Directors** can decide to forgo any or all of this interest.

## 27 **Shareholders may not exercise their rights until calls are paid**

If a **shareholder** has not paid any amount which is due under a call at the time it is due (including any interest and expenses) then, until he has paid all amounts due, he is not entitled to:

- receive any dividend;
- attend any meeting;
- vote at a meeting or in a poll;
- appoint a proxy or company representative to do any of these things for him; or
- exercise any of the other rights of a **shareholder**.

## 28 **Calls can be for different amounts**

On or before an issue of shares, the **Directors** can decide that **shareholders** may be called on to pay different amounts or that they may be called on at different times.

### **FORFEITING SHARES AND LIENS OVER SHARES**

## 29 **Notice following non-payment of a call**

**Regulations** 29 to 39 apply if a **shareholder** fails to pay the whole amount of a call, or an instalment of a call, by the day that it is due. If the whole amount then due has not been paid, the **Directors** can serve a notice on him at any time after the date the payment is due.

## 30 **Contents of the notice**

This notice must:

- demand payment of the amount immediately payable, together with any interest and any of **the Company's** expenses caused by the failure to pay which the **Directors** have decided should be claimed from the **shareholder**;
- give a date by when the total referred to immediately above must be paid. This must be at least seven days after the notice is served on the **shareholder**;
- notify him of the restrictions which apply to him under **Regulation 27**;
- say where the payment must be made; and

- say that, if the full amount demanded is not paid by the time and at the place stated, **the Company** can forfeit the shares on which the call or instalment was due.

### 31 Forfeiture if the notice is not complied with

If the notice is not complied with, the shares that it relates to can be forfeited at any time while any amount (including interest and expenses) is still outstanding. This is done by the **Directors** passing a resolution stating that the shares have been forfeited. The **Directors** can accept the surrender of any share that would otherwise be forfeited.

### 32 Forfeiture will include unpaid dividends

If any shares are forfeited, all dividends which are due on the shares, but not yet paid, will also be forfeited.

### 33 Dealing with forfeited shares

A share forfeited or surrendered under **Regulation 31** belongs to **the Company**. The **Directors** can sell or dispose of any forfeited share on any terms and in any way that they decide. This can be with or without a credit for any amount previously paid up for the share. It can be sold or disposed of to any person, including the previous **shareholder**. The **Directors** can, if necessary, authorise any person to transfer a forfeited share.

### 34 Cancelling forfeiture

After a share has been forfeited, the **Directors** can cancel the forfeiture, but they can only do this before the share has been sold or disposed of. This cancellation of forfeiture can be done on any terms the **Directors** decide.

### 35 The position of shareholders after forfeiture

A **shareholder** loses all **rights** in connection with forfeited shares and must surrender any certificate for those shares to **the Company** for cancellation. A **shareholder** is still liable to pay calls which have been made, but not paid, before the forfeiture of his shares. He is also liable to pay interest on the unpaid amount until it is paid. The **Directors** can fix the rate of interest, but it must not be more than 15 per cent. a year. The **shareholder** continues to be liable for all claims and demands which **the Company** could have made relating to the forfeited share. He is not entitled to any credit for the value of the share when it was forfeited or for money received by **the Company** under **Regulation 33**, unless the **Directors** decide to allow credit for all or any of that value.

### 36 The Company's lien on shares

**The Company** has a lien on all partly paid shares. This lien has priority over claims of others to the shares. This lien is for any money owed to **the Company** for the shares. The **Directors** can decide to give up any lien which has arisen and can also decide to suspend any lien which would otherwise apply to particular shares.

### 37 Enforcing the lien by selling the shares

If the **Directors** want to enforce the lien referred to in **Regulation 36**, they can sell some or all of the shares in any way they decide. The **Directors** can authorise someone to transfer the shares sold, but they cannot sell the shares until all of these conditions are met:

- the money owed by the **shareholder** must be immediately payable;
- the **Directors** must have given a written notice to the **shareholder**. This notice must say how much is due. It must also demand that this money is paid, and say that the **shareholder's** shares will be sold if the money is not paid;



- the notice must have been served on the **shareholder** and can be served in any way that the **Directors** decide; and
- the money has not been paid by at least 14 days after the notice has been served.

### 38 Using the proceeds of the sale

If the **Directors** sell any shares under **Regulation 37**, the net proceeds will first be used to pay off the amount which is then payable to **the Company**. The **Directors** will pay any money left over to the former **shareholder**. **The Company's** lien will also apply to any money left over to cover any money still due to **the Company** on the partly paid shares but which is not yet payable. **The Company** has the same rights over this money as it had over the shares immediately before they were sold. **The Company** need not pay over anything until the certificate representing the shares sold has been delivered to **the Company** for cancellation.

### 39 Evidence of forfeiture or sale

A **Director**, or the **Secretary**, can make a statutory declaration which declares:

- that he is a **Director** or the **Secretary of the Company**;
- that a share has been properly surrendered, forfeited or sold to satisfy a lien under the **Regulations**; and
- when the share was surrendered, forfeited or sold.

This will be evidence of these facts which cannot be disputed. If this declaration is delivered to the new holder of a share with any evidence of transfer which is required, this gives the new holder good title to the share. The new holder of the share does not need to take any steps to see how any money he may be paying for the share is used. The new **shareholder's** ownership of the share will not be affected if the steps taken to surrender or forfeit the share, or the sale or disposal of the share, were invalid or irregular or if anything that should have been done was not done.

## CHANGING SHARE RIGHTS

### 40 Changing the special rights of shares

- 40.1 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. **Regulation 40** is subject to what is said in **Regulation 10** about varying the **rights** of the **Preference Shares** (other than the **Initial Preference Shares** or the **Perpetual Preference Shares**).
- 40.2 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).
- 40.3 All the **Regulations** relating to General Meetings apply, with any necessary changes, to a class meeting, but with the following changes:

- 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;
- any holder of **shares** who is personally present or who is represented by a proxy can demand a poll; and
- 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 **Regulations** or any **rights** which are attached to shares in some other way under the **Regulations**.

40.4 This **Regulation** 40 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 **Regulation** 40.

#### 41 **More about the special rights of shares**

The special rights of **existing shares** are not regarded as changed or abrogated:

- if new shares are created or issued which rank equally with any other **existing shares** when sharing in profits or assets of **the Company**; or
- if **the Company** buys back its own shares,

unless the terms of the **existing shares** expressly say otherwise.

### **TRANSFERRING SHARES**

#### 42 **Transfer forms**

Unless the **Regulations** say otherwise, and subject to the terms of issue of any **Preference Shares**, any **Shareholder** can transfer some or all of his shares to another person. Every transfer of a share must be **in writing** and either in the usual standard form or in any other form approved by the **Directors**.

#### 43 **More about transfers**

43.1 The transfer form must be delivered to the office where the **Register** is kept. The transfer form must have duly been stamped and have with it:

- the share certificate(s) for the shares to be transferred; and
- any other evidence which the **Directors** ask for to prove the entitlement of the person wishing to make the transfer.

43.2 A share transfer form must be signed, or made effective in some other way, by the person making the transfer. It need not be made effective by that person sealing it.

43.3 In the case of a transfer of a share where the share is not a fully paid share, a share transfer form must also be signed, or made effective in some other way, by the person the share is being transferred to. It need not be made effective by that person sealing it.

43.4 The person making a transfer will be treated as continuing to be the **shareholder** until the name of the person to whom a share is being transferred is put on the **Register** for that share.

- 43.5 If **the Company** registers a transfer of a share it may keep the transfer form.
- 43.6 A transfer form cannot be used to transfer more than one class of shares. Each class needs a separate form.
- 43.7 No fee is payable to **the Company** for transferring shares or registering changes relating to the ownership of shares.

#### 44 **Restrictions on transfer**

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**.

#### 45 **Closing the Register**

The **Directors** can decide to suspend the registration of transfers by closing the **Register**. This closure can be for part of a day, a day or more than a day. Suspension periods can vary between different classes of shares. The **Register** cannot be closed for more than 30 days a year.

#### 46 **Overseas branch registers**

**The Company** can use all the powers that the **legislation** gives it to keep an overseas branch register. The **Directors** can make regulations, and change any regulations previously made by them, relating to this register, as long as the **legislation** allows this.

### **GENERAL MEETINGS**

#### 47 **The Annual General Meeting**

**The Company** must hold an Annual General Meeting in accordance with the **legislation**. The **Directors** will decide when and where to hold the Annual General Meeting.

#### 48 **Convening General Meetings other than Annual General Meetings**

The **Directors** can convene a General Meeting other than an Annual General Meeting, at any time.

#### 49 **Notice of meetings**

49.1 At least 21 **clear days**' notice must be given for every Annual General Meeting. For every other General Meeting, at least 14 **clear days**' notice must be given. However, a shorter period of notice can be given:

- for an Annual General Meeting, if all the members who are entitled to attend and vote agree; or
- for other General Meetings, if a majority of the members agree and those members hold at least 95 per cent. in nominal value of the shares giving a right to attend and vote at the meeting.

49.2 Any notice of meeting (including any notice given by website) must include:

- a statement of where the meeting is to be held;
- the date and time of the meeting;
- a statement of whether the meeting will be an Annual General Meeting
- the general nature of the business of the meeting;

- a statement of whether any resolution will be proposed as a Special Resolution or Extraordinary Resolution; and
  - a statement that a **shareholder** who can attend and vote can appoint one or more proxies (who need not be **shareholders**) to exercise all or any rights to attend, speak and vote for him provided that where more than one proxy is appointed, such proxy is appointed to exercise the rights attached to a different share or shares held by him.
- 49.3 Notices of meetings must be given to the **shareholders** unless the **Regulations** say they are not entitled to receive them from **the Company**. Notice must also be given to every **Director** and the Auditors.
- 49.4 If the notice of meeting is made available by means of a website, it must be available until the conclusion of the meeting.

## PROCEEDINGS AT GENERAL MEETINGS

### 50 The chairman of a meeting

- 50.1 The **Chairman** will be the chairman of the meeting at every General Meeting, if he is willing and able to take the chair.
- 50.2 If **the Company** does not have a **Chairman**, or if he is not willing and able to take the chair, a Vice Chairman will chair the meeting if he is willing and able to take the chair. If more than one Vice Chairman is present they will agree between themselves who will take the chair and if they cannot agree, the Vice Chairman who has been a **Director** longest will take the chair.
- 50.3 If **the Company** does not have a **Chairman** or a Vice Chairman, or if neither the **Chairman** nor a Vice Chairman is willing and able to chair the meeting, after waiting five minutes from the time that a meeting is due to start, the **Directors** who are present will choose one of themselves to act as chairman of the meeting. If there is only one **Director** present, he will be the chairman of the meeting, if he so agrees.
- 50.4 If there is no **Director** willing and able to be the chairman of the meeting, then the **shareholders** who are personally present at the meeting and entitled to vote will decide which one of them is to be the chairman of the meeting.
- 50.5 To avoid any doubt, nothing in the **Regulations** restricts or excludes any of the powers, or rights of a chairman of a meeting which are given by the general law.

### 51 The quorum needed for meetings

Before a General Meeting starts to do business, there must be a quorum present. If there is not, the meeting cannot carry out any business. Unless the **Regulations** say otherwise, a quorum for all purposes is two qualifying persons who are entitled to vote unless:

- each is a qualifying person only because he is authorised to act as the company representative in relation to the meeting and they are representatives of the same company; or
- each is a qualifying person only because he is appointed as proxy of a **shareholder** in relation to the meeting and they are proxies of the same **shareholder**.

### 52 The procedure if there is no quorum

This **Regulation** 52 applies if a quorum is not present within five minutes of the time fixed for a General Meeting to start or within any longer period which the chairman of the meeting may decide. The meeting shall be adjourned to any day, time and place stated in the notice of meeting. If the notice does not provide for this, the meeting shall be adjourned to a day, time and place decided on by the chairman of the meeting.

### 53 **Adjourning meetings**

53.1 The chairman of a meeting can adjourn the meeting, before or after it has started, and whether or not a quorum is present, if he considers that an adjournment is necessary for any reason.

53.2 The chairman of the meeting does not need the consent of the meeting to adjourn it to a time, date and place which he decides. He may also adjourn the meeting to a later time on the same day or indefinitely. If a meeting is adjourned indefinitely, the **Directors** will fix the time, date and place of the adjourned meeting.

## **VOTING PROCEDURES**

### 54 **How votes are taken**

54.1 If a resolution is put to the vote at a General Meeting, it will be decided by a show of hands, unless before or immediately after, the result of the show of hands is declared by the chairman of the meeting or on the withdrawal of any other demand for a poll, a poll is demanded by:

- the chairman of the meeting;
- any one **shareholder**, present in person or by proxy, who is entitled to vote.

54.2 A proxy form gives the proxy the authority to demand a poll or to join others in demanding one. A demand for a poll made by a proxy for a **shareholder** is treated in the same way as a demand by the **shareholder** himself.

54.3 A demand for a poll can be withdrawn if the chairman of the meeting agrees to this. If a poll is demanded, and this demand is then withdrawn, any declaration by the chairman of the meeting of the result of a vote on that resolution by a show of hands, which was made before the poll was demanded, will stand.

### 55 **How a poll is taken**

55.1 If a poll is demanded in the way allowed by the **Regulations**, the chairman of the meeting decides where, when and how it will be carried out. The result is treated as the decision of the meeting where the poll was demanded, even if the poll is carried out after the meeting.

55.2 If a poll is called, a **shareholder** can vote either personally or by his proxy. If a **shareholder** votes on a poll, he does not have to use all of his votes, nor does he have to cast all of his votes in the same way.

### 56 **Where there cannot be a poll**

A poll is not allowed on a vote to elect a chairman of a meeting. Nor is a poll allowed on a vote to adjourn a meeting, unless the chairman of the meeting demands a poll.

### 57 **A meeting continues after a poll is demanded**

A demand for a poll on a particular matter does not stop a meeting from continuing and dealing with other matters.

## 58 Timing of a poll

A poll to adjourn the meeting must be taken immediately at the meeting. Any other poll can either be taken immediately at the meeting or within 30 days and at a place decided on by the chairman of the meeting. No notice is required for a poll which is not taken immediately.

## 59 The chairman of the meeting's casting vote

If the votes are equal either on a show of hands or a poll, the chairman of the meeting is entitled to a further casting vote in addition to any other vote or votes to which he may be entitled.

## 60 The effect of a declaration by the chairman of the meeting

The following applies when there is a vote on a show of hands and no poll is demanded (or any demand for a poll is withdrawn). Any of the following declarations by the chairman of the meeting which is entered in the minute book is conclusive proof that:

- a resolution has been carried;
- a resolution has been carried unanimously;
- a resolution has been carried by a particular majority;
- a resolution has been lost; or
- a resolution has been lost by a particular majority.

There is no need to prove the number, or proportion, of votes recorded for or against a resolution.

## VOTING RIGHTS

### 61 The votes of shareholders

When a **shareholder** is entitled to attend a meeting and vote, he has only one vote on a show of hands. A proxy (other than the chairman of the meeting in his capacity as a proxy) can vote on a show of hands but does not have more than one vote even if he is also a **shareholder** himself or is a proxy for more than one person. When there is a poll, a **shareholder** (or his proxy) who is entitled to be present and to vote has one vote for every share which he holds. This is subject to any special rights or restrictions which are given to any class of shares by, or under, the **Regulations**.

### 62 Completing proxy forms

62.1 A proxy form can be in any form (including **electronic form**) which the **Directors** approve.

62.2 Subject to **Regulation** 62.6, a proxy form must be **in writing**. A proxy form given by an individual must be signed by the **shareholder** appointing the proxy or by an attorney who has been properly appointed **in writing**. If a proxy is appointed by a **company**, the proxy form should be either sealed with the **company's** seal or signed by an officer or an attorney who is properly authorised to act on behalf of the **company**. Signatures need not be witnessed.

62.3 A **shareholder** may appoint more than one proxy in relation to a General Meeting, provided that each proxy is appointed to exercise the **rights** attached to a different share or shares held by him and if he does, he shall specify the number of shares in respect of which each proxy is entitled to exercise the related votes.

62.4 If a **shareholder** appoints more than one proxy and the proxy forms appointing those proxies would give those proxies the apparent right to exercise votes on behalf of the **shareholder** in a General Meeting over more shares than are held by the **shareholder**, then each of those proxy forms will be invalid and none of the proxies so appointed will be entitled to attend, speak or vote at the General Meeting.

62.5 A proxy need not be a **shareholder**.

62.6 The **Directors** may allow a proxy to be appointed by **electronic means**, subject to any limitations, conditions or restrictions that they decide. Such appointment shall be delivered to **the Company** in a manner specified by the **Directors**. If, and to the extent that, they decide to allow appointments to be made in this way, provisions of the **Regulations** which are inconsistent with this method of appointment shall be of no effect in relation to those appointments. The **Directors** may require any evidence they think appropriate to satisfy themselves that an appointment by **electronic means** is authentic

### 63 Delivering proxy forms

63.1 A proxy form:

- must be delivered to a **proxy notification address** not less than 48 hours before the time fixed for holding the meeting or adjourned meeting;
- in the case of a poll taken more than 48 hours after it was demanded, must be delivered to a **proxy notification address** not less than 24 hours before the time fixed for the taking of the poll; or
- in the case of a poll which is not taken at the meeting at which it is demanded but is taken 48 hours or less after it is demanded must be delivered to;
  - a **proxy notification address** not less than 48 hours before the time fixed for holding the meeting; or
  - a **proxy notification address** by such time as the chairman of the meeting may direct at the meeting at which the poll is demanded.

63.2 If a proxy form is signed by an attorney, the power of attorney or other authority relied on to sign it (or a copy which has been certified by a notary or an office copy) must be delivered with the proxy form, unless the power of attorney has already been registered with **the Company**.

63.3 If a proxy form which relates to several meetings has been properly delivered for one meeting, or adjourned meeting, it does not need to be delivered again for any later meeting which the proxy form covers.

### 64 Revocation of proxies

64.1 Any vote cast in the way a proxy form authorises or any demand for a poll made by a proxy will be valid even though:

- the proxy form has been revoked; or
- the authority of the person who signed the proxy form for the **shareholder** has been revoked.

However, this does not apply if written notice of the fact has been received at a **proxy notification address**:

- 48 hours before the time fixed for holding the meeting or adjourned meeting;
- In the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time fixed for the taking of the poll;
- In the case of a poll which is not taken at the meeting at which it is demanded but is taken 48 hours or less after it is demanded, before the time fixed for the taking of the poll.

## 65 Proxies speaking at meetings

A proxy shall be entitled to speak at a meeting.

## 66 Company representatives

66.1 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.

66.2 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 **Regulation 64**.

## 67 Challenging Votes

Any objection to the right of any person to vote must be made at the meeting (or adjournment meeting) or poll at which the vote is cast. If a vote is not disallowed at a meeting or poll, it is valid for all purposes. Any objection must be raised with the chairman of the meeting. His decision is final.

## DIRECTORS

## 68 The number of Directors

There must be at least 10 **Directors**. Subject to there being at least two Directors, the **shareholders** can vary this minimum, or impose a maximum, by passing an **Ordinary Resolution**.

## 69 Directors' fees and expenses

The total fees paid to all of the **Directors** (but excluding any payments made under **Regulations 70, 71 or 72**) must not exceed:

- £4,000,000 a year; or
- any higher sum decided on by an **Ordinary Resolution** at a General Meeting.

69.1 Unless an **Ordinary Resolution** is passed saying otherwise, the fees will be divided between some or all of the **Directors** in the way that they decide. If they fail to decide, the fees will be shared equally by the **Directors**, except that any **Director** holding office as a **Director** for only part of a year is only entitled to a pro rata share covering that part of the year.

69.2 **Directors** are not entitled to receive a pension from **the Company** simply because they are acting as **Directors**. A **Director** may only receive a pension if he is also an officer, executive or employee of **the Company**.



## 70 Other remuneration

70.1 The **Directors** can award other remuneration in addition to that paid under **Regulation 69** to any **Director** who:

- holds any executive post;
- acts as **Chairman** or Vice Chairman;
- serves on any committee of the **Directors**; or
- performs any other services which the **Directors** consider to extend beyond the ordinary duties of a **Director**;
- acts as **Governor**.

70.2 This other remuneration can take the form of salary, commission or other benefits or can be paid in some other way.

## 71 Directors' expenses

In addition to any fees or expenses paid under **Regulations 69** or **70**, the **Directors** can also repay to a **Director** all reasonable expenses incurred:

- to attend and return from General Meetings;
- to attend and return from **Directors'** meetings;
- to attend and return from meetings of committees of the **Directors**; or
- in other ways in connection with **the Company's** business.

## 72 Directors' pensions and other benefits

As long as there is no conflict with **Regulation 69.2**, it is entirely for the **Directors** to decide whether to award:

- pensions;
- annual payments;
- gratuities; or
- other allowances or benefits

to any people who are, or who were, **Directors**. The **Directors** can decide to contribute to any scheme or fund or to pay premiums to a third party for these purposes.

## 73 Appointing Directors to various posts

73.1 The **Directors** can appoint any **Director** as **Chairman** or Vice Chairman or to any executive position they decide on. As far as the **legislation** allows this, they can decide on how long these appointments will be for and on their terms. They can also vary or end such appointments.

73.2 A **Director** who holds an executive appointment will automatically cease to be a **Director** if he no longer holds any executive appointment and the other **Directors** resolve that he should stop being a **Director**. An executive appointment means any paid employment or

office (other than as a **Director**) with **the Company** or any of its holding companies or subsidiary undertakings. If a person ceases to be a **Director** because of this **Regulation 73.2**, this does not prejudice any claim for breach of contract against **the Company** which may otherwise apply.

73.3 The **Directors** can give a **Director** appointed to an executive post any of the powers which they jointly have as **Directors**. These powers can be given on terms and conditions decided on by the **Directors** either in parallel with, or in place of, the powers of the **Directors** acting jointly. The **Directors** can change the basis on which such powers are given or withdraw such powers from the executive.

#### 74 **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.

### **CHANGING DIRECTORS**

#### 75 **The power to appoint and remove Directors**

The power to appoint **Directors** whether to fill casual vacancies or as an addition to the board of **Directors** or otherwise, and the power to remove any **Directors**, howsoever appointed, shall reside exclusively in the **Parent Company**. Any such appointment or removal shall be effected by instrument **in writing** signed on behalf of the **Parent Company** by one of its directors duly authorised on its behalf and shall be effective forthwith upon the receipt of such instrument at the **Registered Office of the Company**. Each person holding office as a director on the date on which Part 2 of The HBOS Group Reorganisation Act 2006 comes into force shall be deemed to have been appointed by the **Parent Company** for the purpose of these **Regulations**.

#### 76 **When Directors are disqualified**

Any **Director** automatically stops being a **Director** in any one or more of the following circumstances:

- if he is an executive director and his appointment as an executive director is terminated or expires and the other **Directors** resolve that he should stop being a **Director**;
- if a bankruptcy order is made against him;
- if he makes any arrangement or composition with his creditors or applies for an interim order under Section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;
- if he becomes of unsound mind;
- if he has missed **Directors'** meetings for a continuous period of six months, without permission from the **Directors**, and the **Directors** pass a resolution stating that he has ceased to be a **Director**;
- if he is prohibited from being a **Director** under the **legislation**;
- if he gives **the Company** a letter of resignation;
- if he is removed from office in accordance with **Regulation 75**; or
- if at least 75 per cent. of the **Directors** pass a resolution, or sign a notice, requiring the **Director** to resign. He will stop being a **Director** when the notice is served on him. But if a **Director** is removed in this way this is an act of **the Company** which does not affect any

claim for damages for breach of any contract of service which he may have with **the Company**.

## DIRECTORS' MEETINGS

### 77 Directors' meetings

The **Directors** can decide when to have meetings and how they will be conducted and on the quorum. They can also adjourn the **Directors'** meetings.

### 78 Who can call Directors' meetings

A **Directors'** meeting can be called by any **Director** or by the **Secretary**. The **Secretary** must also call a **Directors'** meeting if a **Director** requests a **Directors'** meeting.

### 79 How Directors' meetings are called

**Directors'** meetings are called by serving a notice on all the **Directors**. Notice may be given to a **Director** personally or verbally or given in **hard copy form** or in **electronic form** to him at such address as the **Director** may from time to time specify (or if none is specified, at his last known address). Any **Director** can waive notice of any **Directors'** meeting, including one which has already taken place. A **Director** will be treated as having waived his entitlement to notice unless he has supplied the **Company** with the information necessary to ensure that he receives notice of a meeting before it takes place.

### 80 Quorum

If no other quorum is fixed, two **Directors** are a quorum. A **Directors'** meeting at which a quorum is present can exercise all the powers and discretions exercisable by the **Directors** as a whole.

### 81 The chairman of Directors' meetings

The **Directors** can elect any **Director** as **Chairman** or as one or more Vice Chairman for such periods as the **Directors** decide. If the **Chairman** is at a **Directors'** meeting, he will chair it. In his absence, the chair will be taken by a Vice Chairman, if one is present. If more than one Vice Chairman is present, the Vice Chairman longest in office will take the chair, unless the **Directors** decide otherwise. If there is no **Chairman** or Vice Chairman present within five minutes of the time when the **Directors'** meeting is due to start, the **Directors** who are present can choose which one of them will be the chairman of the meeting.

### 82 Voting at Directors' meetings

Matters for decision which arise at a **Directors'** meeting will be decided by a majority vote. If votes are equal, the chairman of the meeting has a second, casting vote.

### 83 Directors can act even if there are vacancies

The **Directors** can continue to act even if one or more of them stops being a **Director**, but if the number of **Directors** falls below the minimum which applies under **Regulation 68** (including any change to that minimum number approved by an **Ordinary Resolution of shareholders**) the remaining **Directors** will, as soon as convenient take steps to procure the appointment of further **Director(s)**.

### 84 Directors' meetings by electronic means or by telephone

Any or all of the **Directors**, or members of a committee, can take part in a meeting of the **Directors** or of a committee by way of a conference telephone or by other means (whether electronically or otherwise) which allows everybody to take part in the meeting by being able to

hear (or otherwise receive real time communications made by) each of the other people at the meeting and by being able to address all of them at the same time (or otherwise communicate in real time with them). Taking part in this way will be counted as being present at the meeting. These meetings will be treated as taking place where most of the participants are (or where the chairman of the meeting is situated is if there is no majority in any one place).

## 85 Resolutions in writing

This **Regulation 85** applies to a written resolution which is signed by all the **Directors** who are in the **United Kingdom** at the time and who would be entitled to vote on the resolution at a **Directors'** meeting. A written resolution will be valid at the time it is signed by the last **Director**. This kind of resolution is just as valid and effective as a resolution passed by those **Directors** at a meeting which is properly called and held. The resolution may be contained in one document or communication in **electronic form** or in several documents or communications in **electronic form** (in like form) if each document is signed or approved by one or more **Directors**.

For the purpose of this **Regulation**:

- the signature or approval of an alternate **Director** (if any) shall suffice instead of the signature of the **Director** appointing him; and
- the signature or approval of a **Director** or an alternate **Director** shall be given in **hard copy form** or in **electronic form**.

## 86 The validity of Directors' actions

Everything which is done by any **Directors'** meeting, or by a committee of the **Directors**, or by a person acting as a **Director**, or as a member of a committee, will be valid even though it is discovered later that any **Director**, or person acting as a **Director**, was not properly appointed. This also applies if it is discovered later that anyone was disqualified from being a **Director**, or had ceased to be a **Director**, or was not entitled to vote. In any of these cases in favour of anyone dealing with **the Company** in good faith anything done will be as valid as if there was no defect or irregularity of the kind referred to in this **Regulation 86**.

## DIRECTORS' INTERESTS

### 87 Directors' interests other than in relation to transactions or arrangements with the Company

87.1 If a situation (a "**Relevant Situation**") arises in which a **Director** has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of **the Company** (including, without limitation, in relation to the exploitation of any property, information or opportunity, whether or not **the Company** could take advantage of it but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest) the following provisions shall apply if the conflict of interest does not arise in relation to a transaction or arrangement with **the Company**:

87.1.1 if the **Relevant Situation** arises from the appointment or proposed appointment of a person as a **Director** of **the Company**, the **Directors** (other than the **Director**, and any other **Director** with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may resolve to authorise the appointment of the **Director** and the **Relevant Situation** on such terms as they may determine;

87.1.2 if the **Relevant Situation** arises in circumstances other than in **Regulation 87.1.1**, the **Directors** (other than the **Director** and any other **Director** with a similar interest who shall not be counted in the quorum at the meeting and shall not vote

on the resolution) may resolve to authorise the **Relevant Situation** and the continuing performance by the **Director** of his duties on such terms as they may determine.

87.2 Any reference in **Regulation** 87.1 to a conflict of interest includes a conflict of interest and duty and a conflict of duties.

87.3 Any terms determined by **Directors** under **Regulations** 87.1.1 or 87.1.2 may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):

87.3.1 whether the interested **Directors** may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the **Relevant Situation**;

87.3.2 the exclusion of the interested **Directors** from all information and discussion by **the Company** of the **Relevant Situation**; and

87.3.3 (without prejudice to the general obligations of confidentiality) the application to the interested **Directors** of a strict duty of confidentiality to **the Company** for any confidential information of **the Company** in relation to the **Relevant Situation**.

87.4 An interested **Director** must act in accordance with any terms determined by the **Directors** under **Regulations** 87.1.1 or 87.1.2.

87.5 Except as specified in **Regulation** 87.1, any proposal made to the **Directors** and any authorisation by the **Directors** in relation to a **Relevant Situation** shall be dealt with in the same way as any other matter may be proposed to and resolved upon by the **Directors** in accordance with the provisions of these **Regulations**.

87.6 Any authorisation of a **Relevant Situation** given by the **Directors** under **Regulation** 87.1 may provide that, where the interested **Director** obtains (other than through his position as a **Director of the Company**) information that is confidential to a third party, he will not be obliged to disclose it to **the Company** or to use it in relation to **the Company's** affairs in circumstances where to do so would amount to a breach of that confidence.

## 88 **Declaration of interests other than in relation to transactions or arrangements with the Company**

A **Director** shall declare the nature and extent of his interest in a **Relevant Situation** within **Regulations** 87.1.1 or 87.1.2 to the other **Directors**.

## 89 **Declaration of interests in a proposed transaction or arrangement with the Company**

If a **Director** is in any way, directly or indirectly, interested in a proposed transaction or arrangement with **the Company**, he must declare the nature and extent of that interest to the other **Directors**.

## 90 **Declaration of interest in an existing transaction or arrangement with the Company**

Where a **Director** is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by **the Company**, he must declare the nature and extent of his interest to the other **Directors**, unless the interest has already been declared under **Regulation** 89.

## 91 **Provisions applicable to declarations of interest**

91.1 The declaration of interest must (in the case of **Regulation** 90) and may, but need not (in the case of **Regulations** 88 or 89) be made:

- 91.1.1 at a meeting of the **Directors**; or
- 91.1.2 by notice to the **Directors** in accordance with:
- Section 184 of the **CA 2006** (notice in writing); or
  - Section 185 of the **CA 2006** (general notice).
- 91.2 If a declaration of interest proves to be, or becomes, inaccurate or incomplete, a further declaration must be made.
- 91.3 Any declaration of interest required by **Regulation 88** must be made as soon as is reasonably practicable.
- Failure to comply with this requirement does not affect the underlying duty to make the declaration of interest.
- 91.4 Any declaration of interest required by **Regulation 89** must be made before **the Company** enters into the transaction or arrangement.
- 91.5 Any declaration of interest required by **Regulation 90** must be made as soon as is reasonably practicable.
- Failure to comply with this requirement does not affect the underlying duty to make the declaration of interest.
- 91.6 A declaration in relation to an interest of which the **Director** is not aware, or where the **Director** is not aware of the transaction or arrangement in question, is not required.
- For this purpose, a **Director** is treated as being aware of matters of which he ought reasonably to be aware.
- 91.7 A **Director** need not declare an interest:
- 91.7.1 if it cannot reasonably be regarded as likely to give rise to a conflict of interest;
- 91.7.2 if, or to the extent that, the other **Directors** are already aware of it (and for this purpose the other **Directors** are treated as aware of anything of which they ought reasonably to be aware); or
- 91.7.3 if, or to the extent that, it concerns terms of his service contract that have been or are to be considered:
- by a meeting of the **Directors**; or
  - by a committee of the **Directors** appointed for the purpose under the **Regulations**.

## 92 **Directors' interests and voting**

- 92.1 Subject to the legislation and to declaring his interest in accordance with **Regulations 88, 89 or 90**, a **Director** may:
- 92.1.1 Enter into or be interested in any transaction or arrangement with **the Company**, either with regard to his tenure of any office or position in the management, administration or conduct of the business of **the Company** or as vendor, purchaser or otherwise;

- 92.1.2 Hold any other office or place of profit with **the Company** (except that of **Auditor**) in conjunction with his office of **Director** for such period (subject to the **legislation**) and upon such terms as the **Directors** may decide and be paid such extra remuneration for so doing (whether by way of salary, commission or other benefits) as the **Directors** may decide, either in addition to or in lieu of any remuneration under any other provision of these **Regulations**;
- 92.1.3 Act by himself or his firm in a professional capacity for **the Company** (except as **Auditor**) and be entitled to remuneration for professional services as if he were not a **Director**;
- 92.1.4 Be or become a **shareholder** or director of, or hold any other office or place of profit under, or otherwise be interested in, any **holding company** or **subsidiary** of that **holding company** or any other **company** in which **the Company** may be interested. The **Directors** may cause the voting rights conferred by the shares in any other **company** held or owned by **the Company** or exercisable by them as directors of that other **company** to be exercised in such manner in all respects as they think fit (including the exercise of voting rights in favour of any resolution appointing the **Directors** or any of them as directors or officers of the other **company** or voting or providing for the payment of any benefit to the directors or officers of the other **company**); and
- 92.1.5 Be or become a director of any other **company** in which **the Company** does not have an interest if that cannot reasonably be regarded as likely to give rise to a conflict of interest at the time of his appointment as a director of that other **company**.
- 92.2 A **Director** shall not, by reason of his holding office as **Director** (or of the fiduciary relationship established by holding that office), be liable to account to **the Company** for any remuneration, profit or other benefit resulting from:
- i) any **Relevant Situation** authorised under **Regulation 87.1**; or
  - ii) any interest permitted under **Regulation 92.1**,
- and no contract shall be liable to be avoided on the grounds of any **Director** having any type of interest authorised under **Regulation 87.1** or permitted under **Regulation 92.1**.
- 92.3 A **Director** shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with **the Company** or any other company in which **the Company** is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more **Directors** to offices or places of profit with **the Company** or any other **company** in which **the Company** is interested, those proposals may be divided and a separate resolution may be put in relation to each **Director** and in that case each of the **Directors** concerned (if not otherwise debarred from voting under this **Regulation**) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.
- 92.4 A **Director** shall also not vote (or be counted in the quorum at a meeting) in relation to any resolution relating to any transaction or arrangement with **the Company** in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply and a **Director** may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:

- 92.4.1 any transaction or arrangement in which he is interested by virtue of an interest in shares, debentures or other securities of **the Company** or otherwise in or through **the Company**;
- 92.4.2 the giving of any guarantee, security or indemnity in respect of:
- money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, **the Company** or any of its **subsidiaries**; or
  - a debt or obligation of **the Company** or any of its **subsidiaries** for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- 92.4.3 indemnification (including loans made in connection with it) by **the Company** in relation to the performance of his duties on behalf of **the Company** or of any of its **subsidiaries**;
- 92.4.4 any issue or offer of shares, debentures or other securities of **the Company** or any of its **subsidiaries** in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub-underwriter;
- 92.4.5 any transaction or arrangement concerning any other **company** in which he does not hold, directly or indirectly as shareholder, or through his direct or indirect holdings of financial instruments (within the meaning of Chapter 5 of the **Disclosure and Transparency Rules**) voting rights representing 1% or more of any class of shares in the capital of that **company**;
- 92.4.6 any arrangement for the benefit of employees of **the Company** or any of its **subsidiaries** which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
- 92.4.7 the purchase or maintenance of insurance for the benefit of **Directors** or for the benefit of persons including **Directors**.
- 92.5 In the case of an alternate **Director**, an interest of his appointor shall be treated as an interest of the alternate in addition to any interest which the alternate otherwise has.
- 92.6 If any question arises at any meeting as to whether an interest of a **Director** (other than the chairman of the meeting) may reasonably be regarded as likely to give rise to a conflict of interest or as to the entitlement of any **Director** (other than the chairman of the meeting) to vote in relation to a transaction or arrangement with **the Company** and the question is not resolved by his voluntarily agreeing to abstain from voting, the question shall be referred to the chairman of the meeting and his ruling in relation to the **Director** concerned shall be final and conclusive except in a case where the nature or extent of the interest of the **Director** concerned, so far as known to him, has not been fairly disclosed. If any question shall arise in respect of the chairman of the meeting and is not resolved by his voluntarily agreeing to abstain from voting, the question shall be decided by a resolution of the **Directors** (for which purpose the chairman shall be counted in the quorum but shall not vote on the matter) and the resolution shall be final and conclusive except in a case where the nature or extent of the interest of the chairman of the meeting, so far as known to him, has not been fairly disclosed.
- 92.7 Subject to the **legislation**, **the Company** may by ordinary resolution suspend or relax the provisions of this **Regulation** to any extent or ratify any transaction or arrangement not duly authorised by reason of a contravention of this **Regulation**.



## DIRECTORS' COMMITTEES

### 93 Delegating powers to committees and sub-committees

- 93.1 The **Directors** can delegate any of their powers or discretions to committees of two or more natural persons. This includes powers or discretions relating to **Directors' pay** or giving benefits to **Directors**. If the **Directors** have delegated any power or discretion to a committee, any references in the **Regulations** to using that power or discretion include its use by the committee. Any committee must comply with any regulations laid down by the **Directors**. These regulations can require or allow people who are not **Directors** to be co-opted onto the committee, and can give voting rights to co-opted members.
- 93.2 The **Directors** may revoke or vary any such delegation and discharge any committee wholly or in part but this will not affect any person who acts in good faith who has not had any notice of any cancellation or change.
- 93.3 Unless the **Directors** decide not to allow this, a committee can sub-delegate powers and discretions to sub-committees or, without prejudice to **Regulation 96**, to any individual or individuals. References in the **Regulations** to committees include sub-committees permitted under this **Regulation 93.3**.

### 94 Committee procedure

The **Regulations** which regulate **Directors'** meetings and their procedure, including, for the avoidance of doubt, the power to act by written resolution, will also apply to committee meetings (if they can apply to committee meetings), unless these are inconsistent with any regulations for the committee which have been laid down under **Regulation 93**.

## DIRECTORS' POWERS

### 95 The Directors' management powers

- 95.1 The **Directors** shall conduct and manage **the Company's** business. They can use all **the Company's** powers. But this does not apply where the **Regulations** or the **legislation** say that powers can only be used by the **shareholders** voting to do so at a General Meeting. The general management powers under this **Regulation 95** are not limited in any way by specific powers given to the **Directors** by other **Regulations**.
- 95.2 The **Directors** are, however, subject to:
- the provisions of the **legislation**;
  - the requirements of the **Regulations**; and
  - any regulations laid down by the **shareholders** by passing a Special Resolution at a General Meeting.

However, if the **shareholders** lay down any regulation relating to something which the **Directors** have already done which was within their powers, that regulation cannot invalidate the **Directors'** previous action.

### 96 The power to appoint managers or agents

- 96.1 The **Directors** can appoint, remove and re-appoint managers or agents of **the Company** either in or outside the **United Kingdom**.
- 96.2 The **Directors** may:

- delegate any of their authority, powers or discretions to any manager or agent of **the Company**;
- allow managers or agents to delegate to another person;
- remove any people they have appointed in any of these ways; and
- cancel or change anything that they have delegated, although this will not affect anybody who acts in good faith who has not had any notice of any cancellation or change.

Any appointment or delegation by the **Directors** which is referred to in this **Regulation 93** can be on any conditions decided on by the **Directors**.

## 97 The power to appoint attorneys

97.1 The **Directors** can appoint anyone (including the members of a group which changes over time) as **the Company's** attorneys by granting a power of attorney or by authorising them in some other way. The attorneys can either be appointed directly by the **Directors** or the **Directors** can give someone else the power to select attorneys. The **Directors** or the persons who are authorised by them to select attorneys can decide on the purposes, powers, authorities and discretions of attorneys. But they cannot give an attorney any power, authority or discretion which the **Directors** do not have under the **Regulations**.

97.2 The **Directors** can decide how long a power of attorney will last for and attach any conditions to it. The power of attorney can include any provisions which the **Directors** decide on for the protection and convenience of anybody dealing with the attorney. The power of attorney can allow the attorney to grant any or all of his power, authority or discretion to any other person.

## 98 Signature on cheques etc.

All cheques, promissory notes, drafts, bills of exchange and other negotiable or transferable instruments and all receipts for money paid to **the Company** can be signed, drawn, accepted, endorsed or made legally effective in any manner the **Directors** resolve.

## 99 Borrowing powers

As far as the **legislation** allows, the **Directors** may exercise all the powers of **the Company**:

- to borrow money;
- to mortgage or charge all or any of **the Company's** undertaking, property (present and future) and uncalled capital;
- to issue debentures and other securities; and
- to give security either outright or as collateral security for any debt, liability or obligation of **the Company** or of any third party.

## 100 Provision for employees

The **Directors** may exercise any of the powers conferred by the **legislation** to make provision for the benefit of any persons employed or formerly employed by **the Company** or its **Parent Company** or any **subsidiary of the Company** or its **Parent Company** in connection with the cessation or the transfer to any person of the whole or part of the undertaking of **the Company**, or its **Parent Company**, or any **subsidiary of the Company** or its **Parent Company**.

## ALTERNATE DIRECTORS

## 101 Alternate Directors

101.1 Any **Director** (other than an **alternate Director**) may appoint any person (including another **Director**) to act in his place (called an “**alternate Director**”). That appointment requires the approval of the **Directors**, unless previously approved by the **Directors** or unless the appointee is another **Director**. A **Director** appoints an alternate **Director** by delivering a signed appointment to the **Registered Office** or by tabling it at a meeting of the **Directors**.

101.2 The appointment of an alternate **Director** ends on the happening of any event which, if he were a **Director**, would cause him to vacate that office. It also ends if his appointor stops being a **Director**. A **Director** can also remove his alternate **Director** by a written notice delivered to the **Registered Office** or tabled at a meeting of the **Directors**. This notice must also be copied to the alternate **Director**, but will be effective whether or not it has been received by the alternate **Director**.

101.3 An alternate **Director** is entitled to receive notices of meetings of the **Directors** and of committees of the **Directors** of which his appointor is a member in accordance with these **Regulations**. He is entitled to attend and vote as a **Director** at any meeting at which the **Director** appointing him is not personally present and generally at that meeting is entitled to perform all of the functions of his appointor as a **Director**. The provisions of the **Regulations** regulating the meeting apply as if he (instead of his appointor) were a **Director**. If he is himself a **Director** or attends any meeting as an alternate **Director** for more than one **Director**, he can vote for himself and for each other **Director** he represents but he may not be counted more than once for the purposes of the *quorum*. If the **Directors** decide to allow this, this **Regulation** 101.3 also applies in a similar fashion to any meeting of a committee of which his appointor is a member. Except as set out in this **Regulation** 101.3, an alternate **Director**:

- does not have power to act as a **Director**;
- is not deemed to be a **Director** for the purposes of the **Regulations**; and
- is not deemed to be the agent of his appointor.

101.4 An alternate **Director** is entitled to contract and be interested in and benefit from contracts, transactions or arrangements and to be repaid expenses and to be indemnified to the same extent as if he were a **Director**. However, he is not entitled to receive from **the Company** as an alternate **Director** any **pay**, except for that part (if any) of the **pay** otherwise payable to his appointor as his appointor may tell **the Company in writing** to pay to his alternate **Director**.

## MINUTES

### 102 Keeping minutes

The **Directors** will make sure that proper minutes are kept of:

- the resolutions, proceedings and names of people who attend **Directors’** meetings and **Directors’** committees; and
- the proceedings, resolutions and business and any orders made at any General Meetings or class meetings.

These minutes must be recorded in minute books. If a minute has apparently been signed by the chairman of the meeting, or by the chairman of the meeting which approves the minutes, this minute will prove what it records without any need for any further proof.

## THE SECRETARY

### 103 The Secretary and deputy and assistant secretaries

- 103.1 The **Secretary** (but not any deputy or assistant secretary) is appointed by the **Directors**. The **Directors** shall decide on the terms and period of his appointment. The **Directors** may also remove him from office, but this does not affect any claim for damages against **the Company** for breach of any contract of employment he may have with **the Company**. The **Directors** may appoint two or more people to be joint **Secretaries**.
- 103.2 Anything which the **Regulations** require or allow to be done by the **Secretary** can also be done by any deputy or assistant secretary.

## THE SEAL AND EXECUTION OF DOCUMENTS

### 104 The Seal and execution of documents

- 104.1 The **Directors** are responsible for arranging for the **Seal** and any **Securities Seal** to be kept safely. **The Seal** and any **Securities Seal** can only be used with the authority of the **Directors** or of a committee authorised by the **Directors** but that authority may consist of an instruction or approval given in **hard copy form** or in **electronic form**. The **Securities Seal** can be used only for sealing securities issued by **the Company** in certificated form and documents creating or evidencing securities issued by it.
- 104.2 Every document which is sealed using the **Seal** or the **Securities Seal** (other than a certificate for any securities issued by **the Company** in certificated form - see **Regulation 22**) must be signed by one **Director** and the **Secretary** or by two **Directors** or by one **Director** in the presence of a witness who attests the signature or by some other authorised person or persons. A person may be authorised by the **Directors** or by a committee authorised by the **Directors** or by a person so authorised by the **Directors** or such a committee. The **Directors** may resolve that the **Seal** or, subject to **Regulation 104.1**, the **Securities Seal** may be attached to any document or type of document.
- 104.3 The **Directors** can use all the powers given by the **legislation** relating to official seals for use abroad.
- 104.4 Subject to the **legislation**, documents to be granted or executed by **the Company** may be signed or (as the case may be) subscribed by a **Director** or by the **Secretary** or by some other authorised person or persons on its behalf. A person may be authorised by the **Directors** or by a committee authorised by the **Directors** or by a person so authorised by the **Directors** or such a committee. Provided that this **Regulation 104.4** is without prejudice to any other manner of execution of documents permitted or prescribed by the **legislation**.
- 104.5 Certificates for debentures or other securities of **the Company** may be printed in any way and may be sealed and/or signed in any manner allowed by this **Regulation 104** or by **Regulation 22.4**.

## AUTHENTICATING DOCUMENTS

### 105 Establishing that documents are genuine

- 105.1 Any **Director** or the **Secretary**, has power to authenticate any of the following things, and to certify copies or extracts from them as true copies or extracts:
- any documents relating to **the Company's** constitution;
  - any resolutions passed by the **shareholders**, or by the **Directors** or by a committee of the **Directors**; and

- any books, documents, records or accounts which relate to **the Company's** business.
- 105.2 The **Directors** can also give this power to others. When any books, documents, records and accounts are not kept at the **Registered Office**, the officer of **the Company** who holds them is treated as a person who has been authorised by the **Directors** to authenticate any of them and to provide certified copies or extracts from them.
- 105.3 Unless the **legislation** prevents it, any books, documents or records which are held by **the Company** in **electronic form** are valid books, documents or records and can be authenticated under this **Regulation 105** as if they were books, documents or records held in **hard copy form**.

## RESERVES

### 106 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.

### 107 Assets bought as from a past date

This **Regulation 107** applies if the **legislation** allows this and the **Directors** decide to deal with profits, losses, dividends or interest as this **Regulation 107** 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

### 108 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 **Regulation 4.2.1 (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**.

### 109 Fixed and Interim dividends

- 109.1 If the **Directors** consider that the profits of **the Company** justify such payments, they can:
- 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
  - 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 **Regulation 4.2.1 (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.

109.2 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 **Regulation 109** on other shares which rank equally with or behind their shares.

#### 110 Distributions in kind

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:

- issue fractional shareholdings;
- value assets for distribution purposes;
- pay cash of a similar value to adjust the rights of **shareholders**; and/or
- vest any assets in trustees for more than one **shareholder**.

#### 111 No dividends are payable except out of profits

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

#### 112 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 **Regulation 112** applies unless the **rights** attached to any shares, or the terms of any shares, say otherwise.

#### 113 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:

- any dividend on any shares held by the **shareholder**; or
- 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.

#### 114 Payments to shareholders

114.1 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**.

#### 115 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 **Regulation 115** 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 **Regulation 115** does not affect the rights between past and present **shareholders** to payments or other benefits.

#### 116 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

#### 117 Capitalising reserves

117.1 **The Company's shareholders** can pass an **Ordinary Resolution** to capitalise any sum:

- 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
- which **the Company** is holding as net profits.

117.2 Subject to **Regulation 117.5**, the **Directors** may appropriate the sum which is resolved to be capitalised:

- 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
- 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 14<sup>th</sup> 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 **Regulation 117** only in paying up unissued shares to be allotted credited as fully paid.

117.3 If any difficulty arises in operating this **Regulation 117**, 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.

117.4 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.

117.5 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 **Regulation 117.2** 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.

## ACCOUNTS

### 118 Accounting and other records

The **Directors** shall make sure that proper accounting records that comply with the **legislation** are kept to record and explain **the Company's** transactions.

### 119 Location and inspection of records

119.1 The accounting records shall be kept:

- at the **Registered Office**; or
- at any other place which the **legislation** allows, and the **Directors** decide on.

119.2 **The Company's** officers always have the right to inspect the accounting records.

119.3 Anyone else (including a **shareholder**) does not have any right to inspect any books or papers of **the Company** unless:

- the **legislation** or a proper court order gives him that right; or
- the **Directors** authorise him to do so.

## AUDITORS

### 120 Acts of Auditors

As far as the **legislation** allows this, the actions of a person acting as an **Auditor** are valid in favour of someone dealing with **the Company** in good faith, even if there was some defect in the person's appointment or the person was at any time not qualified to act as an **Auditor**.

### 121 Auditors at General Meetings

An **Auditor** can attend any General Meeting. He can speak at General Meetings on any business which is relevant to him as **Auditor**.

## COMMUNICATIONS

### 122 Communications to the Company



122.1 Subject to the **legislation** and except where otherwise expressly stated, any document or information to be sent or supplied to **the Company** (whether or not such document or information is required or authorised under the **legislation**) shall be in **hard copy form** or, subject to **Regulation 122.2**, be sent or supplied in **electronic form**.

122.2 Subject to the **legislation**, a document or information may be given to **the Company** in **electronic form** only if it is given in such form and manner and to such address as may have been specified by the **Directors** from time to time for the receipt of documents or information in **electronic form**. The **Directors** may prescribe such procedures as they think fit for verifying the authenticity or integrity of any such document or information given to it in **electronic form**.

### 123 Communications by the Company

123.1 A document or information may be sent or supplied in **hard copy form** by **the Company** to any **shareholder** either personally or by sending or supplying it by post addressed to the **shareholder** at his registered address or by leaving it at that address.

123.2 Subject to the **legislation**, a document or information may be sent or supplied by **the Company** to any **shareholder** in **electronic form** to such address as may from time to time be authorised by the **shareholder** concerned or by making it available on a website and notifying the **shareholder** concerned in accordance with the **legislation** that it has been made available. A **shareholder** shall be deemed to have agreed that **the Company** may send or supply a document or information by means of a website if the conditions set out in the **legislation** have been satisfied.

### 124 When communication is deemed received

124.1 Any document or information, if sent by post, shall be deemed to have been received on the second day following that on which the envelope containing it is put into the post and in proving that a document or information has been received it shall be sufficient to prove that the letter, envelope or wrapper containing the document or information was properly addressed, prepaid and put into the post.

124.2 Any document or information not sent by post but left at a registered address or address at which a document or information may be received shall be deemed to have been received on the day it was so left.

124.3 Any document or information, if sent or supplied by **electronic means**, shall be deemed to have been received on the day on which the document or information was sent or supplied by or on behalf of **the Company**.

124.4 If **the Company** receives a delivery failure notification following a communication by **electronic means** in accordance with **Regulation 124.3**, **the Company** shall send or supply the document or information in **hard copy form** to the **shareholder** either personally or by post addressed to the **shareholder** at his registered address or by leaving it at that address. This shall not affect when the document or information was deemed to be received in accordance with **Regulation 124.3**.

124.5 Where a document or information is sent or supplied by means of a website, it shall be deemed to have been received:

- when the material was first made available on the website; or
- if later, when the recipient was deemed to have received notice of the fact that the material was available on the website.

124.6 A **shareholder** present, either in person or by proxy, at any **shareholders** meeting shall be deemed to have received notice of the meeting and, where requisite, of the purpose for which the meeting was convened.

124.7 Every person who becomes entitled to a share shall be bound by every notice (other than a notice in accordance with Section 793 of the **CA 2006**) in respect of that share which before his name is entered in the **Register** was given to the person from whom he derives his title to the share.

#### 125 **Record date for communications**

For the purposes of giving notices of meetings, or of sending or supplying other documents or other information, whether under Section 310(1) of the **CA 2006**, any other **legislation**, a provision in these **Regulations** or any other instrument, **the Company** may determine, subject to the **legislation**, that persons entitled to receive such notices, documents or other information are those persons entered on the **Register** at the close of business on a day determined by it.

#### 126 **Communication to person entitled to shares by law**

Where a person is entitled to a share by law, any notice or other communication shall be given to him, as if he was the holder of that share and his address noted in the **Register** was his registered address. In any other case, any notice or other communication given to any **shareholder** under these **Regulations** shall, even if the **shareholder** is then dead or bankrupt or any other event giving rise to the transmission of the share by operation of law has occurred and whether or not **the Company** has notice of the death, bankruptcy or other event, be deemed to have been properly given in respect of any share registered in the name of that **shareholder** as sole or joint shareholder.

#### 127 **Serving documents on the Company**

This **Regulation** 127 sets out how any document (including summonses, orders and notices) can be served on **the Company** or any of its officers. This can be done by:

- delivering it to the **Registered Office** addressed to **the Company** or the particular officer; or
- sending it to the **Registered Office** by letter, postage paid, addressed to **the Company** or the particular officer.

### **WINDING UP**

#### 128 **Directors' power to petition**

The **Directors** can present a petition to the Court in the name and on behalf of **the Company** for **the Company** to be wound up.

#### 129 **Distribution of assets in kind**

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 **Regulation** 129 which carries a liability.

### **DESTROYING DOCUMENTS**

## 130 Destroying documents and deleting documents held in electronic form

130.1 **The Company** may destroy or delete:

- all transfer forms transferring shares, and documents sent to support a transfer, and any other documents which were the basis for making an entry on the **Register**, after six years from the date of registration;
- all dividend payment instructions and notifications of a change of address or name, after two years from the date these were registered; and
- all cancelled share certificates, after one year from the date they were cancelled.

130.2 If **the Company** destroys or deletes a document under **Regulation** 130.1, it is conclusively treated as having been a valid and effective document in accordance with **the Company's** records relating to the document. Any action of **the Company** in dealing with the document in accordance with its terms before it was destroyed or deleted is conclusively treated as properly taken.

130.3 This **Regulation** 130 only applies to documents which are destroyed or deleted in good faith and where **the Company** is not on notice of any claim to which the document may be relevant.

130.4 This **Regulation** 130 does not make **the Company** liable:

- if it destroys or deletes a document earlier than referred to in **Regulation** 130.1; or
- if **the Company** would not be liable if this **Regulation** 130 did not exist.

130.5 This **Regulation** 130 applies whether a document is destroyed, deleted or disposed of in some other way.

## INDEMNITY AND INSURANCE

### 131 Indemnity

As far as the **legislation** allows this, **the Company** may indemnify its **Directors** out of its own funds against:

- any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to **the Company** other than any liability to **the Company** or any associated company (as defined in Section 256 of the **CA 2006**) of a kind referred to in Section 234(3) of the **CA 2006**; and
- any other liability incurred by or attaching to him in (i) performing his duties or office, (ii) exercising his powers and/or (iii) otherwise in relation to or in connection with his duties, powers or office.

Where a **Director** is indemnified against any liability in accordance with this **Regulation** 131, such indemnity may extend to all costs, charges, losses, expenses and liabilities incurred by him in relation thereto.

### 132 Insurance

132.1 For the purpose of this **Regulation** 132, each of the following is a "**Relevant Company**":

- **the Company** or any holding company of **the Company**;

- any body, whether or not incorporated, in which **the Company** or any **holding company of the Company** has or has had any kind of direct or indirect interest;
- any body, whether or not incorporated, which is allied to or associated with **the Company** or any **holding company of the Company**;
- any **subsidiary** of any **company** or other body referred to in this **Regulation 132.1**; or
- any body, whether or not incorporated, acquired by **the Company** or by any **subsidiary of the Company**.

132.2 Without limiting **Regulation 131** in any way, the **Directors** can arrange for **the Company** to purchase and maintain insurance for or for the benefit of any persons who are or were at any time:

- **Directors, Secretaries**, other officers, employees, agents or consultants of any **Relevant Company**; or
- trustees of any pension fund or employees' share scheme in which employees of any **Relevant Company** are interested.

This includes, for example, insurance against any liability which any of these people may have for any act or omission:

- in performing their duties;
- in exercising their powers;
- in supposedly doing any of these things; and/or
- otherwise in relation to or in connection with their duties, powers or offices.

### 133 Defence Costs

As far as the **legislation** allows this, **the Company** may provide a **Director** with funds to meet expenditure incurred or to be incurred by him (i) in defending any criminal, regulatory or civil proceedings or in connection with any application under the provisions mentioned in Section 205(5) of the **CA 2006** and (ii) to enable a **Director** to avoid incurring such expenditure.

**EXTRACT OF RESOLUTIONS PASSED AT A GENERAL MEETING OF  
BANK OF SCOTLAND PLC HELD AT BANK OF SCOTLAND, THE  
MOUND, EDINBURGH ON 23 DECEMBER 2008**

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**2. INCREASE OF AUTHORISED SHARE CAPITAL**

It was proposed and it was **RESOLVED THAT**

the authorised share capital of the Company be increased from £1,275,325,438.75 to £2,525,325,438.75 by the creation of an additional 5,000,000,000 Ordinary Shares of 25p each.

**3. AUTHORISE THE DIRECTORS TO ALLOT RELEVANT SECURITIES**

It was proposed and it was **RESOLVED THAT**

(a) the Directors generally and unconditionally be authorised, pursuant to Section 80 of the Companies Act 1985 ('CA 1985'), to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of CA 1985) up to an aggregate nominal amount of £1,426,147,361;

(b) the authority given by this Resolution shall expire on the day preceding the fifth anniversary of the passing of this Resolution and is in substitution for all previous authorities to allot relevant securities of the Company which shall cease to have effect from the date of this Resolution, without affecting the validity of any allotment of securities already made or to be made under them;

(c) During the period stipulated in (b) above, the Directors can make offers and enter into agreements which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

**4. DISAPPLICATION OF STATUTORY PRE-EMPTION RIGHTS**

It was proposed and it was **RESOLVED as a SPECIAL RESOLUTION THAT**

the Directors be given the power to allot equity securities (as defined in Section 94 of the Companies Act 1985 ('CA 1985')) pursuant to the authority conferred by that Resolution 2, entirely paid for in cash as if Section 89(1) of CA 1985 did not apply to that allotment and, in connection with such power,

(a) it is in substitution for all previous such powers, which shall cease to have effect from the date of passing of this Resolution, without affecting the validity of any allotment of securities already made or to be made under them;

(b) before expiry of such power the Directors can make offers and enter into agreements which would, or might, require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

**EXTRACT OF RESOLUTIONS PASSED AT A GENERAL MEETING OF  
BANK OF SCOTLAND PLC HELD AT BANK OF SCOTLAND, THE  
MOUND, EDINBURGH ON 27 FEBRUARY 2009**

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**2. INCREASE OF AUTHORISED SHARE CAPITAL**

It was proposed and it was **RESOLVED THAT**

the authorised share capital of the Company be increased from £2,525,325,438.75 to £6,525,325,438.75 by the creation of an additional 16,000,000,000 Ordinary Shares of 25p each.

**3. AUTHORISE THE DIRECTORS TO ALLOT RELEVANT SECURITIES**

It was proposed and it was **RESOLVED THAT**

(a) the Directors generally and unconditionally be authorised, pursuant to Section 80 of the Companies Act 1985 ('CA 1985'), to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of CA 1985) up to an aggregate nominal amount of £4,801,147,361;

(b) the authority given by this Resolution shall expire on the day preceding the fifth anniversary of the passing of this Resolution and is in substitution for all previous authorities to allot relevant securities of the Company which shall cease to have effect from the date of this Resolution, without affecting the validity of any allotment of securities already made or to be made under them;

(c) During the period stipulated in (b) above, the Directors can make offers and enter into agreements which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

**4. DISAPPLICATION OF STATUTORY PRE-EMPTION RIGHTS**

It was proposed and it was **RESOLVED as a SPECIAL RESOLUTION THAT**

the Directors be given the power to allot equity securities (as defined in Section 94 of the Companies Act 1985 ('CA 1985')) pursuant to the authority conferred by that Resolution 2, entirely paid for in cash as if Section 89(1) of CA 1985 did not apply to that allotment and, in connection with such power,

(a) it is in substitution for all previous such powers, which shall cease to have effect from the date of passing of this Resolution, without affecting the validity of any allotment of securities already made or to be made under them;

(b) before expiry of such power the Directors can make offers and enter into agreements which would, or might, require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.