

This document comprises a prospectus for the purposes of Article 6 of Regulation (EU) 2017/1129, as amended, relating to OSB GROUP PLC (the “**Company**”) and has been approved by the Financial Conduct Authority of the United Kingdom (“**FCA**”), as competent authority under Regulation (EU) 2017/1129, in accordance with section 87A of the Financial Services and Markets Act 2000 of England and Wales, as amended (“**FSMA**”), and prepared and made available to the public in accordance with the Prospectus Regulation Rules of the FCA made under section 73A of FSMA (the “**Prospectus Regulation Rules**”). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129 and such approval should not be considered as an endorsement of the issuer that is the subject of this Prospectus or of the quality of the securities that are the subject matter of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. This Prospectus is not an offer or invitation to the public to subscribe for or purchase fully paid ordinary shares in the capital of the Company (“**New OSB Shares**”). This Prospectus has been prepared in connection with a scheme of arrangement pursuant to Part 26 of the Companies Act undertaken by OneSavings Bank plc (“**OSB**”) to introduce the Company as a new holding company, above OSB and its subsidiaries (the “**Scheme**”), and is issued solely in connection with the admission of New OSB Shares to the premium listing segment of the Official List of the FCA and to the London Stock Exchange’s main market for listed securities (“**Admission**”). This Prospectus has been prepared on the assumption that Scheme will be approved and will become effective as proposed.

Application will be made to the FCA for all New OSB Shares to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for all New OSB Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. No application has been made or is currently intended to be made for New OSB Shares to be admitted to listing or trading on any other exchange. It is expected that, subject to the Scheme proceeding as currently envisaged, Admission will become effective, and that dealings in New OSB Shares will commence on the London Stock Exchange, at 8.00 a.m. on 30 November 2020 (International Security Identification Number: GB00BLDRH360).

This Prospectus is issued solely in connection with Admission. This Prospectus does not constitute or form part of an offer or invitation to sell or issue, or any solicitation of an offer to purchase or subscribe for, any securities by any person. No offer of New OSB Shares is being made in any jurisdiction.

This Prospectus should be read in its entirety. In particular, recipients of this Prospectus should take account of the section entitled “Risk Factors” which contains a discussion of certain risks relating to the business of the Company. Investors should not solely rely on the information summarised in the section entitled “Summary”.

OSB GROUP PLC

(incorporated in England and Wales under the Companies Act 2006 with registered number 11976839)

Introduction to the premium listing segment of the Official List and
admission to trading on the main market of the London Stock Exchange

Sponsor

Rothschild & Co

Ordinary share capital immediately following Admission
Issued and fully paid New OSB Shares

Number	Nominal value
Up to 447,413,548 New OSB Shares	304 pence

N. M. Rothschild & Sons Limited (“Rothschild & Co”), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company and no one else in connection with Admission and the arrangements described in this Prospectus and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to Admission or the arrangements described in this Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild & Co nor for providing advice in relation to Admission or the arrangements described in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on Rothschild & Co under FSMA or the regulatory regime established thereunder, neither Rothschild & Co nor any of its affiliates accept any responsibility or liability whatsoever for, nor make any representation or warranty, express or implied, concerning the contents of this Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by the Company or on the Company’s behalf, or by Rothschild & Co, or on Rothschild & Co’s behalf in connection with the New OSB Shares or Admission and nothing in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. To the fullest extent permitted by law, Rothschild & Co and its affiliates disclaim all and any duty, liability or responsibility whatsoever (whether direct or indirect and whether in contract, in tort, under statute or otherwise) which it might otherwise have in respect of this Prospectus or any such statement.

The release, publication or distribution of this Prospectus (in whole or in part) in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions in relation to New OSB Shares or this Prospectus. Except in the United Kingdom, no action has been taken or will be taken in any jurisdiction that would permit possession or distribution of this Prospectus in any country or jurisdiction where action for that purpose is required. Accordingly, this Prospectus may not be distributed or published in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration. Failure to comply with these restrictions may constitute a violation of the securities laws or regulations of such jurisdictions.

This Prospectus is dated 9 October 2020.

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PART I

SUMMARY

1. INTRODUCTION AND WARNINGS

1.1 *Details of the issuer*

The issuer is OSB GROUP PLC (the “**Company**”), a public limited company incorporated in England and Wales with registered number 11976839.

The Company’s registered office is at OSB House, Quayside, Chatham Maritime, Kent ME4 4QZ. Its telephone number is +44 (0)1634 848944 and the legal entity identifier of the Company is 213800ZBKL9BHSL2K459.

1.2 *Details of the securities*

On Admission, the New OSB Shares will be registered with an ISIN of GB00BLDRH360 and SEDOL of BLDRH36. It is expected that the New OSB Shares will be traded on the main market for listed securities of the London Stock Exchange under the ticker symbol “OSB”.

1.3 *Details of the FCA*

The head office of the FCA is at 12 Endeavour Square, London, E20 1JN. The telephone number of the FCA is +44 (0)20 7066 1000.

This Prospectus was approved by the FCA on 9 October 2020.

1.4 *Warnings*

This summary should be read as an introduction to this Prospectus.

Any decision to invest in the New OSB Shares should be based on a consideration of this Prospectus as a whole by the investor. Any investor could lose all or part of their invested capital.

This Prospectus should be read in its entirety. Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid in considering whether to invest in the New OSB Shares.

2. KEY INFORMATION ON THE ISSUER

2.1 *Who is the issuer of the securities?*

The Company was incorporated in England and Wales on 2 May 2019 as Project Cambridge ShelfCo plc with registered number 11976839. The legal entity identifier of the Company is 213800ZBKL9BHSL2K459.

(A) *Principal activity*

The principal activity of the Company is to act as the ultimate holding company of the Group. The Group is a specialist lending and retail savings group. The principal legislation under which the Company operates is the Companies Act and regulations made thereunder.

(B) *Major shareholders*

As at the Latest Practicable Date, the Company has no shareholders other than Andrew Golding and April Talintyre, who each hold one (1) Ordinary Subscriber Share and twenty-

four thousand, nine hundred and ninety-nine (24,999) part paid Redeemable Subscriber Shares each paid up as to twenty-five (25) pence of their nominal value.

As at the Latest Practicable Date, and so far as is known to the Company by virtue of the notifications made to OSB pursuant to the Companies Act, the Market Abuse Regulation and/or the Disclosure Guidance and Transparency Rules, the following will, on Admission, be directly or indirectly interested in three per cent. (3%) or more of the Company's issued share capital:

Name of shareholder	Percentage of total voting rights
Jupiter Fund Management Plc	16.06%
Elliot Capital Advisors LP	9.87%
BlackRock, Inc	5.83%
Standard Life Aberdeen plc	5.54%
Norges Bank	3.09%
Eleva Capital SAS	3.00%

(C) *Key managing directors*

The Executive Directors of the Company are:

Director	Position
Andrew Golding	Chief Executive Officer
April Talintyre	Chief Financial Officer

(D) *Statutory auditor*

The auditor of the Company since the date of its incorporation has been Deloitte LLP whose registered office is at 1 New Street Square, London EC4A 3HQ. Deloitte LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales and has no material interest in the Group.

2.2 **What is the key financial information regarding the issuer?**

(A) *Selected historical key financial information*

The Company has neither traded since its incorporation nor entered into any obligations other than in connection with the Scheme and, as such, there is no historical key financial information.

The tables below set out selected key financial information for the OSB Group as of and for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 and the six months ended 30 June 2019 and 30 June 2020.

The financial information set out in the tables below has been extracted without material adjustment from the Historical Financial Information.

Table 1: Income Statement (selected extracts)

	Year ended 31 December			Six months ended 30 June	
	2019 £m	2018* £m	2017 £m	2020 £m (unaudited)	2019** £m (unaudited)
Net interest income	344.7	286.3	245.4	233.8	150.5
Net fee and commission income:					
– Fees and commissions receivable	3.4	1.7	1.5	4.3	0.9
– Fees and commissions payable	(1.2)	(1.1)	(1.0)	(0.6)	(0.6)
Profit before taxation	209.1	182.8	167.7	99.3	90.5
Profit for the year/period	158.8	139.6	126.9	72.0	65.3

* The figures in this column were restated by the OSB Group in 2019 to recognise interest expense and taxation on the £22.0m Perpetual Subordinated Bonds previously classified as equity.

** The figures in this column were restated by the OSB Group to recognise interest expense and taxation on the £22.0m Perpetual Subordinated Bonds previously classified as equity, consistent with the 2019 Annual Report and Accounts.

Table 2: Balance Sheet (selected extracts)

	As at 31 December			As at 30 June
	2019 £m	2018* £m	2017 £m	2020 £m
Total assets	21,417.1	10,460.2	8,589.1	22,404.0
Subordinated debt				
– Subordinated liabilities	10.6	10.8	10.9	10.6
– Perpetual subordinated bonds	37.6	37.6	15.3	37.6
Loans and advances to customers	18,446.8	8,983.3	7,306.0	18,757.2
Amounts owed to retail depositors	16,255.0	8,071.9	6,650.3	16,697.3
Total equity	1,477.0	658.4	578.8	1,547.8

* The figures in this column were restated by the OSB Group in 2019 to classify the £22.0m Perpetual Subordinated Bonds previously classified as equity as a liability.

- (B) There has been no significant change in the financial position or financial performance of the OSB Group in the period since 30 June 2020 to the date of publication of this Prospectus.

2.3 What are the key risks that are specific to the issuer?

Risks relating to the Group's business and operations

The OSB Group's portfolio is concentrated in buy-to-let and specialist residential loans concentrated in London and the South East of England. The product and geographic concentration of credit risk could increase the Group's potential for loss.

The COVID-19 pandemic could adversely impact the OSB Group across a number of key financial and operational areas, including its operations in India. The Group is also subject to new guidance issued by the FCA in connection with the COVID-19 pandemic that may have a negative effect on the OSB Group's portfolio.

The OSB Group's mortgages are originated through intermediaries and the Group will, therefore, be exposed to risks relating to relationships with intermediaries, including the risk that the Group's customers could suffer detriment, the Group's reputation could be harmed and it may suffer other adverse consequences as a result of the actions of such intermediaries.

The Group's success will be dependent upon the ongoing success of the process to integrate the Charter Court Business with the OSB Business and deliver the value of the combined underlying business; the synergies expected from this integration may not be fully achieved.

The business of the Group will be reliant on third parties for a number of its key processes and functions. If these providers were to deliver these services poorly or were unable to provide these services, this may result in customer detriment and a poor customer experience and could give rise to reputational damage to the business of the Group and its brands and/or to financial losses.

The Group and, in particular, the Charter Court Business will be dependent on digital decision-making platforms and the design and application of their risk models and underwriting parameters and will be exposed to automated decision and interest model risks arising from undetected design flaws or unforeseen events.

The business of the Group will be subject to inherent risks concerning the availability of funding in the event of severe macroeconomic disruption, particularly if the availability of traditional sources of funding such as retail savings or its access to wholesale funding markets becomes limited and/or becomes more expensive.

Risks relating to the Group's industry

The Group will be significantly affected by the UK economic environment. Adverse developments in the global financial markets could have a detrimental effect on the Group's earnings and profitability. Factors such as the impact of the COVID-19 pandemic on the UK economy, UK property prices, levels of employment, interest rates and changes in consumers' disposable income can each have a material effect on demand for the Group's products. In particular, a significant rise in UK unemployment levels could increase the risk of borrower defaults, given that the associated negative impact on borrowers' incomes may result in borrowers being unable to make mortgage repayments on time or at all. In addition, the Group will be subject to risks in relation to the UK's uncertain future economic relationship with the EU resulting from the UK having withdrawn from membership of the EU on 31 January 2020 and entered into a transition period after which its future relationship with the EU is uncertain.

A further reduction in the Bank of England's base rate, or the introduction of a negative base rate, could adversely affect the financial and operational performance of the Group.

The Group will be subject to risks associated with compliance with a wide range of laws and regulations.

3. KEY INFORMATION ON THE SECURITIES

3.1 *What are the main features of the securities?*

(A) *Type, class and ISIN of the securities*

The New OSB Shares will be fully paid ordinary shares traded on the main market for listed securities of the London Stock Exchange under the ticker symbol "OSB".

On Admission, the New OSB Shares will be registered with an ISIN of GB00BLDRH360, a SEDOL of BLDRH36.

New OSB Shares will have a nominal value of three-hundred and four (304) pence each.

(B) *Currency of the securities*

The New OSB Shares are, and on Admission will be, denominated in pounds Sterling.

(C) *Number of issued and fully paid securities*

On Admission, the number of New OSB Shares in issue will be equal to the number of Old OSB Shares in issue at the Scheme Record Time. The New OSB Shares have a nominal value of three-hundred and four (304) pence each and will be fully paid.

As at the Latest Practicable Date, there were 446,258,782 Old OSB Shares in issue.

(D) *Rights attaching to the securities*

All New OSB Shares will rank *pari passu* in all respects, there being no conversion or exchange rights attaching thereto, and all Shareholders will have equal rights to participate in capital, dividend and profit distributions by the Company.

On a show of hands at general meetings of the Company every Shareholder who is present in person and every person holding a valid proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per New OSB Share.

(E) *Description of restrictions on free transferability of the securities*

The New OSB Shares are freely transferable and there are no restrictions on transfer of the New OSB Shares in the UK.

(F) *Rank of securities in the Company's capital structure in the event of insolvency*

The New OSB Shares do not carry any rights to participate in a distribution of capital (including on a winding-up) other than those that exist as a matter of law.

(G) *Dividend policy*

The Company has not traded since its incorporation and so has not declared, made nor paid any dividend, other distribution or other return of capital since its incorporation.

Subject to the following paragraphs, following implementation of the Scheme, and subject to the approval of the Board, the Company intends to adopt an equivalent dividend policy to the current OSB dividend policy. OSB's current dividend policy is to pay out at least twenty-five per cent. (25%) of underlying profit after taxation attributable to ordinary shareholders.

On 3 April 2020, the board of OSB announced that: (i) in order to help the OSB Group serve the needs of businesses and households through the extraordinary challenges presented by the COVID-19 pandemic, it had decided to cancel the payment of the final dividend in respect of the year ended 31 December 2019; and (ii) it will continue to assess the appropriateness of dividend payments and decide on any dividend policy and amounts at the year-end 2020.

Whilst the Company will have no distributable profits or reserves immediately upon the Scheme becoming effective, the Company is currently considering the most appropriate means by which it might generate distributable profits or reserves. This may be through the receipt of dividends and other distributions from its operating subsidiaries and companies in which it has invested or through other corporate actions, including actions in relation to the nominal value of its issued share capital and to other share capital accounts on its balance sheet, in each case which would have the effect of creating distributable reserves.

3.2 *Where will the securities be traded?*

Application will be made to the FCA for all New OSB Shares to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for all New OSB Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. No application has been made or is currently intended to be made for New OSB Shares to be admitted to listing or trading on any other exchange.

3.3 *What are the key risks that are specific to the securities?*

Following Admission, the New OSB Shares will be publicly traded and, as a result of a number of factors and events, their market price may be volatile. Shareholders may not receive a return on their investment or may receive a negative return and lose some or all of their capital.

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

4. KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET

4.1 *Why is this Prospectus being produced?*

This Prospectus has been prepared in connection with the Scheme to be undertaken by OSB to introduce the Company as a new holding company, above OSB and its subsidiaries, and is

issued solely in connection with Admission. This Prospectus has been prepared on the assumption that Scheme will be approved and will become effective as proposed.

There are no material conflicts of interest pertaining to Admission.

PART II

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The times and dates set out in the timetable below and throughout this Prospectus that fall after the date of publication of this Prospectus are based on the Company's current expectations and are subject to change. The times and dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme. If the scheduled dates of the OSB Court Meeting and/or the OSB General Meeting change, the revised dates and/or times will be notified to OSB Shareholders by an announcement made by OSB through a Regulatory Information Service (as defined in the Listing Rules). All times shown are London times unless otherwise stated.

PRINCIPAL EVENTS	TIME AND DATE
OSB Court Meeting	11.30 a.m. on 2 November 2020
OSB General Meeting	11.45 a.m. on 2 November 2020 ⁽¹⁾
Court Hearing to sanction the Scheme	27 November 2020
Last day of dealings in Old OSB Shares	27 November 2020
Scheme Record Time	6.00 p.m. on 27 November 2020
Scheme Effective Date	By 8.00 a.m. on 30 November 2020
Delisting of Old OSB Shares, Admission and commencement of dealings in New OSB Shares on the London Stock Exchange	8.00 a.m. on 30 November 2020
Crediting of New OSB Shares to CREST accounts	30 November 2020
Dispatch of share certificates in respect of New OSB Shares	By 14 December 2020

Notes:

(1) To commence at the time fixed or as soon thereafter as the OSB Court Meeting has been concluded or adjourned.

PART III

RISK FACTORS

The risks and uncertainties relating to the New OSB Shares, the Group's business and the industry in which it operates, described below, together with all other information contained in this Prospectus, should be carefully considered in light of Admission.

The risks and uncertainties relating to the New OSB Shares, the Group's business and the industry in which it operates summarised in the section of this Prospectus headed 'Summary' are the risks that the Directors believe to be the most essential to an assessment of New OSB Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, you should consider not only the information on the key risks summarised in the section of this Prospectus headed 'Summary' but also, among other things, the risks and uncertainties described below.

The risks and uncertainties described below represent those the Directors consider to be material as at the date of this Prospectus. However, these risks and uncertainties are not the only ones facing the Group. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, may individually or cumulatively also materially and adversely affect the business, results of operations, financial condition and/or prospects of the Group. If any or a combination of these risks actually occurs, the business, results of operations, financial condition and/or prospects of the Group could be materially and adversely affected. In such case, the market price of New OSB Shares could decline. You should carefully consider the information in this Prospectus in light of your personal circumstances.

1. RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

1.1 *The OSB Group's portfolio is concentrated in buy-to-let and specialist residential loans concentrated in London and the South East of England. The product and geographic concentration of credit risk could increase the Group's potential for loss.*

A significant proportion of the OSB Group's portfolio is made up of loans and advances to buy-to-let and new build properties and/or borrowers in London and the South East of England.

If a disruption to the residential housing and rental markets, disruptive environmental and social trends or events, or an adverse change in economic or political conditions or regulatory requirements were to adversely affect the mortgage lending market segment for buy-to-let or new build properties, or were to have a disproportionate effect on residential and rental property markets and/or borrowers in London and the South East of England, it is likely that the Group will experience deterioration in the volume of demand for its products. The Group would likely be disproportionately affected and be exposed to greater potential losses relative to other specialist banks operating in the same market segments but which have a more diversified portfolio, both in terms of loan products and geographic distribution. In particular, the long-term economic and customer behavioural implications of the COVID-19 pandemic could adversely impact the Group's performance and growth prospects within London and the South East of England.

Similarly, if such disruption or adverse change were to result in a disproportionate reduction of liquidity and/or downward pressure on valuations in the property market in London and the South East of England, the Group may experience an increase in impairments and losses that is disproportionate compared to that incurred by its peers.

Any such disruption or adverse change could have a material adverse effect on the business, financial condition, results of operations, and/or prospects of the Group.

1.2 *The COVID-19 pandemic could adversely impact the OSB Group across a number of key financial and operational areas, including its operations in India.*

The OSB Group has assessed and will continue to assess the potential for disruption caused by the COVID-19 pandemic and has put in place plans and measures in order to enable the business to maintain normal operations, to the extent possible, against the backdrop of an evolving situation. Nevertheless, the ongoing uncertainties surrounding the COVID-19 pandemic

could continue to adversely impact the OSB Group across a number of key financial and operational areas. This could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group. These are as follows:

- the asset quality of the OSB Group could be impacted through declining customer affordability, increasing delinquency and diminishing underlying security values. This would feed through into increasing credit write-offs, credit provisions and capital requirements. Use of forbearance may also need to be reassessed to manage the asset quality in a prudent and a conduct sensitive manner. The OSB Group may also be required to re-evaluate the key judgements and assumptions underpinning its business, capital, provisioning and wider risk models;
- the OSB Group's capital requirements may reduce relative to its business-as-usual plans owing to reduced lending volumes. Additionally, opportunities to effectively deploy capital may also diminish as the capital generating capacity of the OSB Group is impacted by declining net interest margins and increasing inefficiencies in the underlying operating model;
- the OSB Group's funding sources could be impacted as retail savers prioritise their diminishing available funds towards daily essentials. Retail deposits may also decline as customers reduce savings and investments to operate within the deposit insurance scheme limit. Retail savings and investments could also be impacted by reduced confidence in the UK banking sector. Wholesale markets could also experience reduced liquidity and risk appetite;
- the OSB Group's operational capacity could be adversely impacted as a consequence of sickness-based absenteeism, remote and distributed working arrangements and restricted international and local travel;
- the OSB Group's service quality levels could be adversely impacted as a consequence of increased information requests and transactional support requirements. This would put additional pressure on already diminished customer facing teams, and would adversely impact service quality levels and may result in poor customer outcomes and remediation costs; and
- the OSB Group's operational risk and resilience profiles could also be adversely impacted as a consequence of reduced staffing levels, declining effectiveness of third-party support services and increased propensity for human error owing to a reduced and stretched workforce.

In addition, the support operations of the OSB Group are, and of the Group will be, based in India. OSB India has continued to support the OSB Group's operations during the COVID-19 pandemic whilst adhering to the OSB Group's health and safety standards, as well as the COVID-19 pandemic related policies and guidelines issued by Indian government authorities. OSB India has responded to the operational challenges associated with the COVID-19 pandemic by leveraging the OSB Group's operational resilience framework and business continuity planning capabilities. However, the long-term impact of COVID-19 related disruptions and/or a resurgence in COVID-19 cases in India (resulting in additional quarantine restrictions and/or affecting the ability of OSB India's employees to perform their jobs) could have a material adverse impact on the operational effectiveness and efficiency of the OSB Group's and the Group's operations in India. If a resurgence in COVID-19 cases in India resulted in the OSB Group having to close (whether temporarily or on a more permanent basis) its operations in India, this could have a material adverse impact on the operations of the OSB Group as a whole.

1.3 ***The Group is subject to new guidance issued by the FCA in connection with the COVID-19 pandemic that may have a negative effect on the OSB Group's portfolio***

On 20 March 2020, the FCA published new guidance for, *inter alia*, mortgage lenders and administrators entitled '*Mortgages and coronavirus: our guidance for firms*' in connection with the on-going outbreak of the COVID-19 pandemic in the UK, and on 2 June 2020 (with effect from 4 June 2020) and on 16 June 2020, the FCA updated this guidance to provide continued support for customers struggling to pay their mortgage due to the ongoing effects of the COVID-19

pandemic and government actions in response to it (together, the “**FCA COVID-19 Guidance**”). The FCA COVID-19 Guidance applies to firms within the OSB Group.

Pursuant to the FCA COVID-19 Guidance, which expires on 31 October 2020 unless it is renewed or updated, customers of the OSB Group may request a payment holiday (referred to in the FCA COVID-19 Guidance as a “payment deferral”) if they are experiencing, or reasonably expect to experience, payment difficulties due to circumstances relating to COVID-19. Firms must agree to this request for three monthly payments unless they agree with the customer a different option that the firm reasonably considers to be in the customer’s best interests (without regard to its own commercial interests). The FCA COVID-19 Guidance notes that a payment holiday may not be in the customer’s best interest if the customer is already in a payment shortfall, however, the FCA COVID-19 Guidance makes clear that customers in payment shortfall should not receive less favourable treatment than other customers. The FCA COVID-19 Guidance further requires that, where the customer and the mortgage lender do not agree about the level of payments a customer can afford, the mortgage lender should offer a payment holiday at the level sought by the customer. The FCA COVID-19 Guidance also requires firms not to commence or continue repossession proceedings against customers until 31 October 2020.

Any customer who has received or receives a payment holiday under the FCA COVID-19 Guidance and indicates they cannot immediately resume full payments at the end of that initial payment holiday must be offered a further full or partial payment holiday, where the mortgage lender permits the customer to make a further three reduced monthly payments for an amount the customer considers they can afford. A mortgage lender would only be able to refuse a further payment holiday if it could demonstrate that to do so is obviously not in the customer’s best interests and a different option is more appropriate. Therefore, a mortgage lender, including the authorised firms within the OSB Group, may be required to give relevant customers payment holidays of up to six monthly payments.

On 14 September 2020, the FCA published additional guidance for firms regarding mortgages and coronavirus. The additional guidance, which has effect from 16 September 2020, supplements the FCA COVID-19 Guidance. It sets out the FCA’s expectations of firms dealing with customers who: (i) have benefitted from two payment holidays granted under the FCA COVID-19 Guidance; (ii) have benefitted from an initial payment holiday that expires after 31 October 2020; or (iii) experience payment difficulties as a result of circumstances relating to coronavirus after 31 October 2020. Among other things, it states that: (i) if a customer who has already benefitted from two payment holidays under the FCA COVID-19 Guidance or benefitted from an initial payment holiday that expires after 31 October 2020 indicates that they continue, or reasonably expect to continue, to face payment difficulties, the firm should treat the customer fairly and should work with the customer to resolve these difficulties before payments are missed; and (ii) the FCA expects firms to be flexible and employ a full range of short- and long-term forbearance options to support their customers and minimise avoidable financial distress and anxiety to customers in financial difficulty (which could include, for example, extending the term of a mortgage, changing the type of mortgage or deferring payments). In particular, the additional guidance states that, in relation to some second charge mortgages, there is a particular risk of harm from the total debt escalating significantly when a customer defers payments or enters payment shortfall and it is particularly important that, in such cases, firms consider using a range of forbearance options (including applying simple interest, rather than compound interest, to any payment shortfall or reducing the interest rate charged on these sums (in some cases to 0%)). It also states that, at the end of a payment holiday period under the FCA COVID-19 Guidance, there will be no payment shortfall for the purposes of MCOBS 13 where the accrued amounts are repaid before the next payment is due (including where the sums are capitalised) and, unless the customer is unreasonably refusing to engage with the firm in relation to addressing a payment holiday shortfall, a firm should not repossess without the customer’s consent solely because of such a shortfall.

As at the Latest Practicable Date, about 26 per cent. of the OSB Group’s borrowers have requested a payment holiday in relation to their mortgages. The ability of such borrowers to resume mortgage payments (in relation to both interest and principal amounts outstanding) when their payment holidays cease to apply will be dependent on the individual borrower’s financial position and prospects. Failure to recommence such payments and the implementation of

forbearance and enforcement measures may have a material adverse effect on the financial condition, results of operations and/or prospects of the Group.

1.4 *The OSB Group's mortgages are originated through intermediaries and the Group will, therefore, be exposed to risks relating to relationships with intermediaries.*

The Group will be reliant on a network of intermediaries and will have limited direct oversight of intermediaries' interactions with prospective customers outside of its regulatory responsibilities. If intermediaries do not comply with applicable regulations or standards when selling the products, this may result in customer detriment and a poor customer experience, the Group's reputation could be harmed and it may suffer other adverse consequences. The Group will adopt the OSB Group's risk management processes which include undertaking due diligence and other compliance checks as part of the onboarding process of new intermediaries and, thereafter, on an ongoing basis. These processes will help to reduce, but will not remove, the risks associated with the Group's relationships with intermediaries.

Furthermore, the Group could lose the services of intermediaries with whom it does business, for example, as a result of market conditions causing their closure or intermediaries switching to competitors due to higher commissions or other incentives. In particular, the measures on social distancing and requirements to work from home introduced by the UK Government in response to the COVID-19 pandemic could adversely impact the quality of service offered by intermediaries and lead to a material reduction in business volumes for intermediaries, forcing them to close their businesses. The loss or deterioration of relationships with intermediaries could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Additionally, in the event that market conditions were to change (for example as a result of regulatory changes impacting the pricing of mortgage loans originated through intermediaries, the manner in which mortgages are distributed through intermediaries, the way in which fees are charged or as a result of large banks, medium-sized banks and building societies challenging for market share in more specialist market segments or a shift towards entirely automated lending and underwriting decisions and use of artificial intelligence to provide "robo advice", associated with lower overhead costs, resulting in a decrease in borrowers relying on intermediaries for advice) and the Group were unable to keep pace with such changes, it is possible that the proportion of mortgage loans originated through intermediaries could decrease as borrowers move to favour direct applications to mortgage lenders, resulting in the Group potentially being at a competitive disadvantage in its specialist market segments, which may have a material adverse effect on the financial condition, results of operations and/or prospects of the Group.

1.5 *The Group's success will be dependent upon the ongoing success of the process to integrate the Charter Court Business with the OSB Business and deliver the value of the combined underlying business; the synergies expected from this integration may not be fully achieved.*

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

While the Directors believe that the synergies of the Charter Court Combination have been reasonably estimated, unanticipated events (such as the disruption caused by the COVID-19 pandemic), liabilities, tax impacts or unknown pre-existing issues may arise or become apparent which could result in the costs of integration being higher and the realisable benefits/synergies being lower than expected, resulting in a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group. No assurance can be given that the integration process will deliver all or substantially all of the expected benefits within the assumed time frame.

The Group will face numerous challenges when integrating the OSB Business and the Charter Court Business, including, among others, retaining key contracts, harmonising ways of working, realising synergies, standardising policies and procedures, processes and systems, aligning shared values and retaining key employees of the OSB Business and/or the Charter Court Business and the corporate memory of the Charter Court Business. If the Group does not

properly manage these challenges, they may affect the effective running of the Group's business in the ordinary course and the efficient allocation, including redeployment, of resources in the Group.

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

1.6 *The business of the Group will be reliant on third parties for a number of its key processes and functions.*

In particular, the Group will be reliant on third party service providers to provide mortgage origination and servicing systems, a savings processing system and core reporting and data management systems. If these providers were to deliver these services poorly or were unable to provide these services, this may result in customer detriment and a poor customer experience and could give rise to reputational damage to the business of the Group and its brands and/or to financial losses. In turn, this may harm the ability of the Group to raise funds via retail deposit-taking and result in loss of custom from existing customers, potentially limiting its flexibility to fund new mortgage lending due to lack of funding or making such lending more expensive. In addition, this may also impact lending decisions and volumes.

In addition, the business of the Group will be reliant on the major UK banks, which act as clearing banks and payment services providers. If, as a result of a failure by a clearing bank, borrowers were not to receive funds lent by the Group in a timely manner, such borrowers may be unable to complete on property purchases. Equally, as a result of a failure by a clearing bank, customers of the savings banks of the Group may not receive principal or interest paid in a timely manner. There can be no assurance that such failures will not occur or that the general level of service provided by such clearing banks or payment services providers will not deteriorate. Such failures in service levels could give rise to reputational damage, which could adversely affect the Group and its business prospects. In addition, the fees that the clearing banks and payment services providers charge the Group may rise, which may affect the pricing and therefore the attractiveness of the saving products of the Group and therefore its ability to raise funds rapidly through securing new retail savings deposits and/or have a material adverse effect on the financial condition, results of operations and/or prospects of the Group.

Prolonged outages of the decision-making platform or any difficulties experienced in updating the platform to reflect new market conditions (such as those brought about by the Covid-19 pandemic), changing regulatory requirements or problems identified with the platform architecture and decision-making process or mortgage servicing and arrears support (for example, in the context of a significant credit challenge) could lead to the Group having to rely on employing larger numbers of underwriting, compliance, risk management, collections or servicing staff and/or other financial services personnel, which could have a material adverse effect on the results of operations of the Group and which may also lead to the Group experiencing an increase in reported impairments and loan losses, for example, as a result of identified problems with the platform not being corrected or as a result of the increased risk of human error introduced by a greater degree of reliance on human decision-making. Additionally, were the Group to experience service issues with its software suppliers or were disputes to arise over the licence fees and other fees and costs payable for their services, or were a software supplier to experience insolvency issues, it is not certain that the Group would be able to identify an alternative supplier quickly nor is it certain that an alternative supplier would be able to provide an equivalent level of service on competitive terms, or at all.

The Group will rely on suppliers of panel management services to manage relationships with preferred panels of conveyancers, real estate solicitors and valuers (including asset finance valuers) with niche experience for certain of their mortgage products, particularly for bridge financing transactions. While the risk of being unable to replace the services provided by the conveyancers, real estate solicitors and valuers is minimal, there could be disruption to provision of these services if the provider of panel management services were to enter liquidation, as panel management would need to be handled in-house or a new provider engaged at short notice.

Such disruption may restrict the ability of the Group to offer certain of its mortgage products, reduce the profitability of these transactions and potentially increase loan loss impairments.

1.7 *The Group will be dependent on its digital decision-making platforms and the design and application of their risk models and underwriting parameters and will be exposed to automated decision and interest model risks arising from undetected design flaws or unforeseen events.*

The Group will be increasingly dependent on its digital decision-making platforms to pursue its strategy of delivering sustainable growth by leveraging, among other things, its ability to deliver rapid, consistent and efficient underwriting decisions. In particular, the Charter Court Business is heavily reliant on platforms designed to capture the credit and underwriting expertise of the management of the Group and to apply complex risk models to create an automated decision-making process that is able to make determinations based on a complex set of parameters and criteria derived from bespoke scorecards and codified underwriting policies, ensuring that the decision generated falls within the level and types of risk that the Group is willing to accept to achieve its business objectives within its defined risk appetite. The OSB Business relies primarily on manual underwriting and so is not materially exposed to the risks associated with digital decision-making.

Credit risk models seek to determine relative credit quality and are used in the lending decision-making process and to help assess the credit risk profile of mortgage portfolios and for other related purposes, such as stress testing. While the digital decision-making platforms of the OSB Group are designed to apply such models rigorously and consistently in arriving at a decision in principle for each application for a buy-to-let or specialist residential mortgage, there is a risk that an adverse outcome occurs as a direct result of undetected or undetectable latent weaknesses or failures in the design or use of any such models (including as a result of events unforeseen during the design of the platform and risk models) that have not yet become apparent. In particular, the performance and predictability of risk models could be adversely impacted by the unique circumstances of, and changing borrower behaviours resulting from, the credit cycle downturn caused by the COVID-19 pandemic. While the Group will have guidelines, policies and contingency plans to manage such risks, they may not prove to be adequate in practice.

Additionally, once the Group has identified a design flaw or latent weakness in the platform software or its risk models, or have determined that unforeseen economic, political or market conditions or regulatory action have resulted in a need to recalibrate its underwriting criteria or its risk appetite and/or offer new products, the platforms and model may not be capable of being updated immediately or even reasonably promptly, potentially resulting in the Group underwriting mortgage loans that do not satisfy its existing risk appetite or meet its affordability criteria, potentially exposing it to increased risk of impairments and losses, to regulatory criticism and increased capital requirements. Equally, a design flaw or latent weakness in the platform software or its risk models, or failures in the implementation of the instructions by third party service providers, may result in the digital decision-making platforms of the Group turning down applications that would otherwise have fallen within the risk appetite and underwriting policies, resulting in the loss of profitable opportunities. The Group may also be required to hire additional employees and/or divert other resources to manage an increased manual underwriting workload while the platforms are updated to correct any problems identified, which may result in a material adverse effect on the business, financial condition, results of operations, reputation and/or prospects of the Group.

Further, as with many automated systems of this kind, the Group's decision-making platforms and the associated risk models depend on the accuracy and reliability of information submitted by intermediaries. The platforms and risk models are not designed primarily to detect fraud and may not do so.

Moreover, the Group will continue to rely on the ability to automate current operational processes in order to grow. An inability to automate current operational processes could result in the Group not meeting current and future growth projections.

1.8 ***The Group may be subject to privacy or data protection failures, cybercrime and fraudulent activity.***

The Group is subject to regulation regarding the use of personal data (including, in particular, the GDPR). The Group processes large amounts of personal data (including name, address and bank details) as an integral part of its business and, therefore, must comply with strict data protection and privacy laws in the jurisdictions in which the Group operates. Such laws govern the Group's ability to collect and use personal information relating to employees, customers and potential customers, including the use of that information for marketing purposes. The Group seeks to ensure that appropriate governance, third party vendor due diligence policies and procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers. Notwithstanding such efforts, the Group remains exposed to the risk of a data breach in which such personal data is wrongfully appropriated, lost or improperly disclosed in breach of data protection legislation. If the Group or any of the third party service providers on which it relies fails to store, handle or transmit personal data in compliance with relevant laws and regulations or if any damage to or loss or inadvertent deletion of personal data were otherwise to occur, the Group would be at risk of significant regulatory liability. In the UK, this liability could extend to a fine imposed by the ICO of up to €20 million or four per cent. (4%) of the undertaking's total annual worldwide turnover in the preceding financial year, whichever is higher.

The Group could also be at risk of cyber-crime. Although the Group implements security measures designed to mitigate this risk, the Group and/or third party service providers on which it relies could be a target of cyber-attacks designed to penetrate network security or the security of internal systems, misappropriate proprietary information or customer information and/or cause interruptions to the Group's services. Such attacks could include hackers or insiders with criminal intent obtaining access to the Group's own or the Group's service providers' systems, the introduction of malicious computer code or denial of service attacks. If an actual or perceived breach of the Group's network security occurs or personal data is stolen, it may expose the Group to the loss of information, litigation and liability under data protection laws. Such a security breach could also divert the efforts of the Group's technical and management personnel.

In particular, the risk of cyber-crime is heightened in the context of the COVID-19 pandemic. The disruptive nature of the COVID-19 pandemic has caused significant changes to consumer behaviours as the OSB Group has encouraged its customers to register for and access services online. These changes in consumer behaviour have increased the risk of IT security failures arising, requiring the Group to make changes to its operating model and, as a result, increasing the Group's vulnerability to cyber-crime risk. Additionally, although the Group has implemented controls to manage the increased risk of fraudulent activity in the context of the COVID-19 pandemic, the Group remains exposed to the increased risk of criminals seeking to target customers with fraudulent emails, phone calls, text messages or social media posts against the backdrop of the pandemic.

In addition to the risks contemplated above, any of these events could also result in the loss of the goodwill of the Group's customers and deter new customers, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

1.9 ***The business of the Group will be subject to inherent risks concerning the availability and cost of funding in the event of severe macroeconomic disruption, particularly if the availability of traditional sources of funding such as retail savings or its access to wholesale funding markets becomes limited and/or becomes more expensive.***

Extreme market disruptions, such as the severe dislocation experienced in the funding and credit markets following the onset of the global financial crisis of 2007 – 2008, could result in a prolonged and severe restriction on the ability of the Group to access funding and a prolonged and severe decline in consumer confidence, resulting in high levels of withdrawals by retail savings customers which could affect the ability of the Group to meet its financial obligations as they fall due, to meet its regulatory minimum liquidity requirements, and/or to fulfil its commitments to lend. In such extreme circumstances, the Group may not in the longer term be in a position to continue to operate without additional funding support.

The risks concerning the availability of funding in the event of extreme market disruptions arise as a result of the maturity transformation (that is, the practice of borrowing money on shorter timeframes than money is lent out) role that the Group will perform and are dependent on factors such as maturity profile, composition of sources and uses of funding and the quality and size of the liquidity portfolio. Broader market factors, such as wholesale market conditions and depositor and investor behaviour, are also contributing factors. If access to funding should become constrained for UK financial institutions for a prolonged time, the cost of funding for the Group, may increase as competition for retail savings would likely intensify and/or the cost of accessing the wholesale markets may increase or wholesale market funding may otherwise be unattractive or unavailable.

Retail savers are a significant source of funding for the OSB Group. The on-going availability of retail savings funding is dependent on a variety of factors outside the Group's control, such as general economic conditions, market volatility, the availability and extent of deposit guarantees and the confidence of retail savers in the UK banking system and in the Group in particular. Deterioration of these or other factors could lead to a reduction in the Group's ability to access retail savings funding on appropriate terms in the future. Given the relative size of the Group's retail savings base, it will be particularly exposed to any serious loss of confidence by its retail savers which results in significant withdrawals of deposits/savings.

The Group's funding sources could be adversely impacted by the COVID-19 pandemic as retail savers prioritise using their diminishing available funds to acquire daily essentials. Savings account balances may also decline as savers reduce savings and investments so as to not hold savings and investments with a single bank that are in excess of the deposit insurance scheme limit and so would fall outside of its protection. Wholesale markets are also expected to experience reduced liquidity and risk appetite though this may be offset by more aggressive central bank open market operations. The ultimate extent, duration and impact of the COVID-19 pandemic cannot currently be accurately predicted.

The OSB Group maintains a range of funding programmes, including securitisations and the Term Funding Scheme ("TFS"), which closed for future funding on 28 February 2018 but provides for phased repayments until final maturity in 2022. Additionally, as part of its COVID-19-related measures, in March 2020 the Bank of England introduced a new term funding scheme which will, over a twelve (12) month period, offer four-year funding of at least 10% of participants' stock of real economy lending at interest rates at (or very close to) the Bank of England's base rate (which is currently 0.1%), and provide additional funding for those banks that increase lending to SMEs. The scheme opened on 15 April 2020, and OSB is currently participating in the scheme. The availability of wholesale funding depends on a variety of factors including market conditions, the general availability of credit (in particular to the financial services industry), the volume of trading activities, and funding markets' assessment of the Group's credit strength. These and other factors may limit the Group's ability to raise funding in wholesale markets which could result in an increase in the Group's cost of funding or have other adverse effects on the Group's business, financial condition, results of operations and/or prospects.

1.10 ***Reputational risk could adversely affect the Group.***

The OSB Group's reputation is one of its most important assets and its ability to attract and retain customers and staff and conduct business with its counterparties could be adversely affected to the extent that its reputation or the reputation of its brands is damaged. Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to the Group and its business prospects. The highly competitive market in which the OSB Group operates means that reputational damage that it suffers may have a significant negative impact on its ability to attract and retain customers. In addition, reputational damage associated with particular brands under which the OSB Group sells its products may result in it having to cease to operate those brands. Reputational issues include, but are not limited to:

- (a) failing to appropriately address potential conflicts of interest;
- (b) breaching or facing allegations of having breached legal and regulatory requirements;
- (c) acting or facing allegations of having acted unethically;

- (d) failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record-keeping;
- (e) technology failures that affect customer services and accounts;
- (f) failing to properly identify legal, reputational, credit, liquidity and market risks inherent in products offered;
- (g) third parties on whom the OSB Group relies, such as clearing banks and third party mortgage servicing agents, failing to provide the necessary services; and
- (h) failing to uphold the quality and continuity of service to customers as a result of the COVID-19 pandemic affecting the availability of staff.

A failure to address these or any other relevant issues appropriately could make customers, depositors and investors unwilling to do business with the Group, which could have a material adverse effect on its business, financial condition, results of operations and/or prospects and could damage its relationships with its regulators. The Group cannot ensure that it will be successful in avoiding damage to its business from reputational risk.

1.11 *The support operations of the OSB Group and of the Group are, and will be, based in India and could be affected by a number of economic, political and other factors affecting India (in addition to the COVID-19 pandemic), which are beyond the control of the Group.*

The Group's strategy and operations in India could be adversely affected by economic, political, legal and regulatory changes in that country (in addition to those arising as a result of the COVID-19 pandemic, as described above). In particular, foreign companies operating in India (directly or indirectly) could be subject to changes in applicable legislation and changes to the tax environment and the regulatory framework in which they operate. It is not possible to predict what effect such changes could have on the Group, but any reduction in OSB India's ability to provide support services to the rest of the Group could increase the Group's costs significantly and could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. In particular, a material proportion of the cost efficiencies and operational enhancements that are expected to be achieved by leveraging the Group's lending, savings and support operations and capabilities in India could be adversely affected by economic, political, legal and regulatory changes in India.

1.12 *The Group will be exposed to operational risks related to the failure of internal processes, people and systems to deal with unexpected external events.*

Operational risks are inherent in the day-to-day operational activities of the Group and may result in direct or indirect losses that could adversely impact the Group's business despite the processes and systems that the Group implements to address such risks. These losses may result from both internal and external events and risks. Unexpected external events include, but are not limited to, operational failures by third-party providers (including offshored and outsourced providers), actual or attempted external IT security breaches from parties with criminal or malicious intent, natural disasters, extreme weather events, political, security and social events and failings in the financial services industry. Another such external event is the ongoing COVID-19 pandemic, the ultimate extent, duration and impact of which cannot currently be accurately predicted.

As described above, owing to the COVID-19 pandemic, the Group's operational capacity has been, and could continue to be, adversely impacted as a consequence of sickness-based absenteeism, remote and distributed working arrangements and restricted international and local travel. Service quality levels may also have been, and could continue to be, adversely impacted as a consequence of increased information requests and transactional support requirements, which has put, and could continue to put, additional pressure on customer facing teams that are already diminished as a result of the COVID-19 pandemic. The additional pressure on customer facing teams could result in an increased propensity for human error, poor customer outcomes and rising remediation costs. The Group's operational risk and resilience profiles have also been, and could continue to be, adversely impacted as a result of declining effectiveness of third-party support services.

The Group may be exposed to extreme and unpredictable events which may result in a material or systemic loss, business interruption or significant reputational damage. Operational risks may be increased as a direct consequence of the process of integrating the Charter Court Business with the OSB Business, in particular, due to problems with migrating data, systems (such as IT systems) or processes.

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

The Group may look to implement new operational processes and systems to assist in responding to market developments. Due to the scale and complexity of such projects, the Group may be required to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

The OSB Group's operations are dependent on its IT systems, and there is a risk that such systems could fail. There can be no assurance that the Group's IT systems will continue to be able to support a significant increase in online traffic. The OSB Group has in place business continuity procedures and security measures in the event of IT failures or disruption, including backup IT systems for business critical systems. However, should any of these procedures and measures not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur to a system for which there is no duplication, there may be a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

1.13 *The Group must comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations, and a failure to prevent or detect any illegal or improper activities fully or on a timely basis could negatively affect customers and expose the Group to liability.*

The Group will be subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the Group, its employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties to obtain or retain business, including the MLRs 2017 and the UK Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery rules can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has increased, resulting in several landmark fines against UK financial institutions. In addition the Group cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted.

Although the OSB Group believes that its policies and procedures will be sufficient to comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that such policies completely prevent money laundering or bribery, including actions by the Group's employees, mortgage intermediaries or third party service providers, for which it might be held responsible. Any of such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. In the UK's 2020 Budget on 11 March 2020, the UK Government announced its intention to introduce a levy to be paid by firms subject to the MLRs 2017 (a levy which will apply to the Group), to help fund new government action to tackle money laundering and ensure delivery of reforms committed to in the UK's Economic Crime Plan, which aims to encourage the public and private sectors to work

together to combat economic crime, including fraud, terrorist financing, sanctions contraventions, market abuse, corruption and money laundering. The UK Government published a consultation on the levy in July 2020, which invited views on the design principles of the levy and how it could operate in practice to ensure that it is proportionate and effective. The consultation period closed on 14 October 2020.

1.14 *The accounting policies and methods of the Group will be critical to how it reports its financial condition and results of operations; the Group management makes estimates about matters that are uncertain.*

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

If the judgements, estimates and assumptions used by the Group in preparing its consolidated financial statements are subsequently found to be incorrect there could be a significant loss to the Group beyond that expected or provided for or an adjustment to those consolidated financial statements, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The OSB Group has established detailed policies and control procedures that are intended to ensure that these judgements (and the associated assumptions and estimates) are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the judgements of the Group and the estimates pertaining to these matters, it cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature.

1.15 *The Group's insurance coverage may not cover all possible losses.*

The insurance coverage of the Group may not be adequate to cover all possible losses that it could suffer and its insurance costs may increase.

The Group will seek to maintain comprehensive insurance coverage at commercially reasonable rates. However, insurance policies do not cover all types of losses and liabilities and are subject to limits and excesses. There can be no assurance that the insurance of the Group will be sufficient to cover the full extent of all losses or liabilities for which it is insured and the Group cannot guarantee that it will be able to renew its current insurance policies on favourable terms, or at all.

2. RISKS RELATING TO THE GROUP'S INDUSTRY

2.1 *The Group will be subject to risks related to increases and decreases in UK property prices and rents, and risks resulting from such increases and decreases (such as customer defaults or recoveries).*

The primary activity of the Group will be to provide mortgages to retail customers and to small and medium sized enterprises in the UK secured against property. The value of that security is influenced by UK property prices. A substantial proportion of the net income of the Group will be derived from interest paid on its mortgage portfolio. Any deterioration in the quality of the mortgage portfolio of the Group could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

Historically, downturns in the UK economy have had a negative effect on the UK property market; the COVID-19 pandemic is currently having a significant adverse impact on the UK property market. A fall in property prices could result in borrowers having insufficient equity to refinance

their mortgage loans or being unable to sell the mortgaged property at a price sufficient to repay the amounts outstanding on the mortgage loan, which could lead to an increase in customer defaults and recoveries against customers. Increased defaults and recoveries could lead to higher impairment provisions and losses being incurred by the Group. Higher impairment provisions could reduce the Group's capital and its ability to engage in lending and other income-generating activities as well as result in increased capital requirements. As a result, a decline in property prices could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group. Furthermore, a fall in property prices could negatively impact the capital of the Group.

The FCA COVID-19 Guidance contains measures that aim to limit customer defaults and recoveries against customers. This is achieved by allowing customers experiencing, or reasonably expecting to experience, difficulties in making mortgage payments, to request payment holidays for up to three monthly payments and for repossession proceedings to be postponed until 31 October 2020. Any customer who received a payment holiday under the FCA COVID-19 Guidance and indicates they cannot immediately resume full payments at the end of that initial payment holiday, must be offered a further full or partial payment holiday, where the mortgage lender permits the customer to make a further three reduced monthly payments for an amount the customer considers they can afford. A mortgage lender would only be able to refuse a further payment holiday if it could demonstrate that to do so is obviously not in the customer's best interests and a different option is more appropriate. Therefore, a mortgage lender, including the authorised firms within the Group, may be required to give relevant customers payment holidays of up to six monthly payments.

The FCA COVID-19 Guidance has been supplemented with additional guidance, which takes effect from 16 September 2020 and sets out the FCA's expectations of firms dealing with customers who: (i) have benefitted from two payment holidays granted under the FCA COVID-19 Guidance; (ii) have benefitted from an initial payment holiday that expires after 31 October 2020; or (iii) experience payment difficulties as a result of circumstances relating to coronavirus after 31 October 2020. Among other things, it states that the FCA expects firms to be flexible and employ a full range of short- and long-term forbearance options to support their customers and minimise avoidable financial distress and anxiety to customers in financial difficulty (which could include, for example, extending the term of a mortgage, changing the type of mortgage or deferring payments).

However, the full impact, extent and duration of the COVID-19 pandemic cannot be predicted and therefore it is currently unclear whether increased defaults and recoveries will result once the FCA COVID-19 Guidance ceases to have effect.

On the other hand, a significant increase in property prices could have a negative effect on the Group by reducing the affordability of property and, if such increases were to result in a decrease in the number of customers that could afford to purchase such property, a reduction in demand for new mortgages. Sustained volatility in UK property prices could also discourage potential buyers from committing to a purchase, thereby limiting the ability of the Group to increase its mortgage portfolio in the UK.

Furthermore, the full effects of the recent changes introduced by the UK Government to reduce the rate of stamp duty land tax for residential property transactions from 8 July 2020 until 31 March 2021 are not yet known. Such changes could cause a distortion in the mortgage market which could, in turn, have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

The UK Government's intervention into the property market over past years, both directly through its "Help to Buy" programme and indirectly through the provision of liquidity to the banking sector under TFS (which has decreased borrowing costs), has increased the number of property transactions by owner-occupiers and restricted the growth of the buy-to-let sector. As the TFS reaches its final maturity in 2022, UK banks will have to replace these funds from other sources that may be at a higher cost that could lead to lower lending and/or higher mortgage interest rates, which could also contribute to volatility in property prices. This could occur, for example, as a result of the further continuation or expansion of the "Help to Buy" programme, which could lead to increases in property prices and a resultant "bubble" in the property market. However, this

concern may be alleviated somewhat as a result of the launch by the Bank of England of a new term funding scheme, as described in risk factor 1.9. In addition, in 2016 the Bank of England issued a Supervisory Statement concerning underwriting standards for buy-to-let mortgage contracts which are not already subject to FCA regulation. The Supervisory Statement sets out stricter guidelines concerning rental stress tests and affordability checks for buy-to-let lending which is not already subject to FCA regulation. These stricter guidelines could make it more difficult for customers to borrow and therefore reduce demand for mortgages.

Borrowers of buy-to-let mortgages have benefited in recent years from a combination of low interest rates, rising property prices and increasing rents. First-time buyers have struggled to raise the required deposit to allow them to purchase their own homes. If rental rates were to decrease or remain stagnant, interest rates were to increase, further tax changes were to reduce the post-tax return on buy-to-let investments and/or the economy were to weaken and place pressure on employment, consumer incomes and/or property prices, the credit performance of the buy-to-let mortgage book of the Group could deteriorate, which in turn could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

2.2 *The Group will be significantly affected by the UK economic environment. Adverse developments in the global financial markets could have a detrimental effect on the Group's earnings and profitability.*

As customers of the OSB Group are predominantly based in the UK, the Group will be significantly exposed to the condition of the UK economy. In particular, factors such as the impact of the COVID-19 pandemic on the UK economy, UK property prices, levels of employment, interest rates and changes in consumers' disposable income can each have a material effect on demand for the Group's products. In addition, levels of retail and SME borrowing are heavily dependent on consumer confidence, the UK property and mortgage market, employment trends, the level of inflation, market interest rates and the broader state of the UK economy. The Group will be directly and indirectly affected by geopolitical developments, market conditions in the UK and other economies and the state of the global financial markets both generally and as they specifically affect financial institutions.

Should macroeconomic conditions in the UK deteriorate or should there be uncertainty and/or volatility in relation to these factors, this could adversely affect the business, financial condition, results of operations and/or prospects of the Group. In particular, a significant rise in UK unemployment levels could increase the risk of borrower defaults, given that the associated negative impact on borrowers' incomes may result in borrowers being unable to make mortgage repayments on time or at all. While the ultimate extent, duration and impact of the ongoing COVID-19 pandemic cannot currently be accurately predicted, it is possible that the UK financial services sector could be adversely impacted as a consequence of deteriorating credit risk profiles, market uncertainty, declining liquidity and curtailed operational capacity.

The Group calculates loan loss provision requirements in accordance with IFRS 9, whilst regulatory credit risk capital calculations are undertaken using the standardised methodology. Both calculations are driven by total loans outstanding, arrears, default levels and house price movements. If the UK macroeconomic outlook were to deteriorate, lower levels of affordability are likely to result and would have the effect of increasing levels of arrears and customer defaults, which in turn would lead to increased loan loss provisions, write-off levels and capital requirements. If property prices also fell, causing loan to value ratios to increase, then loan loss provision levels and capital requirements would also increase, which would adversely impact the financial performance of the Group. However, these adverse impacts may partially be offset by lower lending volumes, which would in turn reduce the total loans and advances outstanding and the capital required to cover expected and unexpected losses.

In response to the potential macroeconomic risks posed by the COVID-19 pandemic, a number of measures have been introduced to mitigate the impairment and capital risks posed to the Group's financial position:

- on 26 March 2020 a "Dear CEO" letter was circulated to UK banks relating to COVID-19: IFRS9, capital requirements and loan covenants. This letter provided guidance to banks

on the treatment of payment holiday accounts, within IFRS 9 staging logic and the default definition under the CRR. The Group adopted a revised staging framework and default definition logic for exposures issued with a payment holiday, which is fully compliant with the industry guidance detailed within the letter; and

- the PRA also published a statement on 30 June 2020 regarding a package of CRR measures in response to the impact of COVID-19. Of particular note were revised transitional arrangements for the capital impact of IFRS 9 Expected Credit Loss (ECL) accounting, and an acceleration of the date of application of certain CRR II measures which had been planned for adoption from 28 June 2021. These included a revised small and medium-sized enterprises (SME) support factor. Both of these measures will in part help the Group mitigate capital inflation risks arising from a deterioration in the UK economy as a result of the COVID-19 pandemic.

Additionally, volatility in credit, currency and equity markets globally may result in uncertainty that could negatively affect the Group. Market volatility during the global financial crisis led to, and may in the future lead to, the following (among other factors):

- (a) increased cost of funding and/or reduced availability of funding;
- (b) deterioration in the value and liquidity of assets (including collateral);
- (c) inability to price or difficulty in pricing certain assets;
- (d) higher provisions for bad and doubtful debts;
- (e) an increased likelihood of customer and counterparty default and credit losses;
- (f) mark-to-market losses in the value of assets and liabilities;
- (g) economic exposures from hedging activities and inability to hedge;
- (h) increased cost of insurance and/or lack of available insurance;
- (i) lower growth, business revenues and earnings; and
- (j) legislative change.

In addition, the Group will be subject to risks in relation to the UK's uncertain future economic relationship with the EU resulting from the UK having withdrawn from membership of the EU on 31 January 2020 and entered into a transition period after which its future relationship with the EU is uncertain. Under the terms of the EUWA, the UK withdrew from membership of the EU on 31 January 2020 and entered into a transition period which is due to expire on 31 December 2020. During the transition period, the majority of rights and obligations associated with membership of the EU continue to apply to the UK. The UK Government's intention is to negotiate a trade agreement with the EU during the transition period. Should the UK fail to conclude a trade agreement with the EU by the expiry of the transition period, the UK will revert to trading with the EU under the rules of the World Trade Organisation, unless the transition period is extended or other agreements are concluded with the EU in order to avoid this outcome. The uncertainty as to when and whether a trade agreement will be concluded with the EU and what rights and obligations any such agreement will contain will continue to cause both legal and macroeconomic uncertainty. Such uncertainty could negatively impact global financial markets, consumer confidence and the UK economic environment. As the Group's lending activity is solely focused in the UK, it will be disproportionately impacted by any risks emerging from changes in the UK macroeconomic environment. This could include reduced demand for the Group's products which could, in turn, result in a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

The Group's future financial condition and/or results of operations are likely to continue to be affected by these factors which, should they have a material adverse effect on consumer confidence, spending or demand for credit, could have a material adverse effect on the business, capital position and/or prospects of the Group.

2.3 *Rising interest rates could result in increased loan losses, which could adversely affect the financial and operational performance of the Group.*

Rising interest rates would put pressure on existing and new borrowers whose loans are linked to the Bank of England Base Rate, LIBOR, or alternative interest rate benchmarks, or borrowers who come to the end of an incentive period in an environment of higher market rates and who may have become accustomed to the current low interest rate environment.

Accordingly, borrowers with a loan that is subject to a variable rate of interest or where the interest rate adjusts following an initial fixed rate or low introductory rate are exposed to increased monthly payments as and when their mortgage interest rate adjusts upward (or, in the case of a mortgage loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). In an increasing interest rate environment, borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates and this could lead to an increase in arrears in the portfolios of the Group as well as an increase in their respective impairment charges.

If rising interest rates cause borrowers to be unable to repay their mortgage loans, that could ultimately lead to a correction in property prices and higher retail loan losses, which could materially adversely affect the financial and operational performance of the Group.

A voluntary agreement has been made with the LIBOR panel banks to continue to submit to LIBOR until the end of 2021 and, therefore, LIBOR may not be available from that date (or, alternatively, it may continue to exist beyond the end of 2021 but may not operate as intended or effectively mitigate interest rate risk). If LIBOR is discontinued or otherwise unavailable, then the rate of interest on material contracts (including material financial arrangements) entered into by the Group may be determined for a period by applicable fall-back provisions under the relevant documentation. Such applicable fall-back provisions may not operate as intended or effectively mitigate interest rate risk. Moreover, in the absence of such fall-back provisions under the relevant documentation, the rate of interest on material contracts entered into by the Group may be determined for a period by reference to a rate of interest to be agreed between the relevant parties. Such rate of interest may take time to agree and, once agreed, may not operate as intended or effectively mitigate interest rate risk, or may be reformed or cease to exist.

2.4 *A further reduction in the Bank of England's base rate, or the introduction of a negative base rate, could adversely affect the financial and operational performance of the Group*

The reduction in the Bank of England's base rate has been an important monetary policy response in supporting the UK economy following the outbreak of the COVID-19 pandemic. The Bank of England reduced the base rate to a historically low level of 0.1% in March 2020 and its Monetary Policy Committee is closely monitoring how the UK economy responds to the reduction and the other monetary policy measures introduced by it, including its quantitative easing scheme and its new term funding scheme with additional incentives for SMEs.

The Bank of England has not ruled out the potential for further monetary policy actions, if required. The Bank of England's Monetary Policy Committee, in conjunction with its Financial Policy Committee and Prudential Regulation Committee, are currently considering the economic and operational implications of reducing the base rate to negative levels.

A negative base rate, coupled with the financial markets indices (LIBOR and SONIA), could have a disruptive impact on the UK financial services sector, including the OSB Group, from the perspective of the wider market dynamics and competition, financial performance, operational capabilities and customer outcomes and communications.

The UK has never experienced negative base rates and such an unprecedented move could be very disruptive with respect to how savings and lending products are structured and priced within the wider market and by individual institutions. The disruptive nature of such a policy change would be amplified by the fact that the financial services sector and its customers are currently responding to the wider impact of the COVID-19 pandemic.

Negative base rates and market interest rate indices could also create an imbalance between the funding of balance sheet assets and liabilities which could adversely impact net operating interest

margins. This could primarily be driven by a more pronounced impact on lending rates as compared to a more muted impact on deposit rates.

The Group's operational capabilities, in particular its banking IT systems, may need to be upgraded to accommodate negative base rates and market interest rate indices. This could increase the risk of operational failures, increase costs and lead to customer detriment.

Negative base rates could also impact the ability of deposit takers, such as the Group, to attract and retain retail savings and would require significant levels of customer communication and awareness initiatives.

2.5 *The Group will be subject to risks associated with the future implementation of and/or changes to the stated policies of the UK Government (in particular, housing policies).*

Housing policy has been highlighted by the current UK Government as an area on which it is particularly focused, making further government intervention in the property market likely, although both the timing and extent of implementation of or changes to the UK Government's policies (in particular, its housing policies) is difficult to predict. Examples of proposed UK Government housing policies, as set out in the Conservative Party manifesto for the December 2019 general election and a Ministry of Housing, Communities & Local Government document published in March 2020 and entitled 'Planning for the Future', include: (i) encouraging long-term fixed rate mortgages which may have the potential to reduce the amount of deposits which consumers are required to make; (ii) the extension of the "Help to Buy" programme; (iii) further reforms of shared ownership schemes; (iv) reform of leasehold property tenure, including the prohibition of the sale of new leasehold homes; and (v) increasing the rights of tenants under tenancy agreements. The implementation of such policies (whether as currently expressed or in an altered form) through legislative action is made more likely by the significant majority that the UK Government enjoys following the December 2019 general election. If implemented, these policies are likely to result in a decrease in mortgage volumes and, therefore, the credit performance of the mortgage books of the Group could deteriorate.

2.6 *The Group faces risks from the highly competitive environment in which it will operate.*

The market for financial services in the UK faces many competitive pressures and these pressures are expected to continue in response to competitor behaviour, consumer expectations, changing consumer demographics, technological changes, the effect of increasing market consolidation and new market entrants, regulatory actions and other factors. In particular, the market in which the Group will operate has seen and is expected to see increasing market consolidation. In combination, the results of operations, digital capability, margins and returns of the Group will be put under increasing pressure through price pressure, reductions in fees and charges, increased marketing and other related expenses, investment demands, regulatory requirements and changes to capital requirements.

The UK banking industry continues to be dominated by the largest banks and building societies with a lack of a material shift in market share to challenger banks and specialist lenders. There is, however, some variation between each of the largest banks and building societies with some increasing and others decreasing their market shares as they manage balance sheet growth in the context of their wider strategic agendas.

As the financial services markets in which the Group will operate are generally mature, growth by any bank typically requires winning market share from competitors.

The Group will face competition from established financial services providers as well as new market entrants, including "challenger banks" and "neo banks" with specific areas of market focus, and non-bank competitors that, in some cases, have lower cost operating models and are therefore capable of generating better returns from asset growth. Competition in the UK mortgage market, including from challenger banks seeking scale and growth over a short time, is continuing to create downward price pressure on mortgage and other lending rates. The downward price pressure has increased following the introduction of ring-fencing legislation in the UK, with some ring-fenced competitor banks deploying excess liquidity in the broker mortgage market.

Further intervention in the UK banking industry is anticipated from regulators and authorities who are increasingly focusing on competition and market effectiveness. PSD2 has been implemented in the UK from January 2018, primarily through the Payment Services Regulations 2017 (SI 2017/752), to further open up the competitive landscape in addition to enhanced protection for consumers. This creates an increased risk for traditional financial services firms and a specific material risk (of disintermediation by third parties) for the Group.

As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation or a failure by the Group to introduce new products and services to keep pace with industry developments and to meet customer expectations.

In seeking to price products competitively to attract and retain new customers, the Group must consider capital requirements and the overall credit quality of proposed loans and advances. The amount of capital required is based on the risk weighting of the asset in question.

2.7 *The introduction of the Company as the ultimate holding company of the OSB Group will result in OSB's AT1 and Tier 2 instruments no longer being recognised in the consolidated regulatory capital resources of the OSB Group. The effect of this on the regulatory capital position of the OSB Group may potentially be fully or partly mitigated (through substitutions, novations, redemptions/re-issuances, an internal reorganisation or other actions by the Company), but the implementation and timing of such mitigating actions are uncertain and dependent on factors outside of the Group's control.*

OSB has issued AT1 and Tier 2 instruments to third party investors resulting in total AT1 capital of sixty million pounds Sterling (£60,000,000), total Tier 2 capital of forty-five million and seven hundred thousand pounds Sterling (£45,700,000), being the eligible capital value after applying regulatory deductions of one million and seven hundred thousand pounds Sterling (£1,700,000) to the gross issued amount of Tier 2 instruments of forty-seven million and four hundred thousand pounds Sterling (£47,400,000), and total regulatory capital of one billion, five hundred and seventy-seven million and four hundred thousand pounds Sterling (£1,577,400,000), each as at 30 June 2020. Following implementation of the Scheme and the introduction of the Company as the ultimate holding company of the Group, these instruments will not be recognised in the consolidated regulatory capital resources of the OSB Group as a result of the application of the CRR (on the assumption that the PRA will interpret Articles 85 to 88 of the CRR in line with the EBA Q&A 2017_3567 and there will be no sub-consolidation at the OSB level). Had the Company been introduced as the ultimate holding company of the Group as at 30 June 2020, it is estimated that the Group's total capital ratio would reduce by approximately 1.2 percentage points, which is within capital planning capacity for the Group. The introduction of the Company as the ultimate holding company of the Group should have no impact on the recognition of OSB's AT1 and Tier 2 instruments by OSB on an individual basis¹.

OSB is exploring its options in relation to these instruments in order to fully or partly restore these instruments' contribution to the consolidated capital resources of the OSB Group. Options being explored included substitutions (substituting the Company for OSB as the issuer), novations, redemptions/re-issuances and an internal reorganisation (which also may involve, among other things, the transfer of CCFS to the Company). However, the implementation of any mitigating actions which the Group may wish to undertake and their timing are uncertain and dependent on factors outside of the Group's control, such as the requirement to obtain regulatory and/or third party consents. The failure to effect such mitigating actions may have an ongoing material adverse impact on the regulatory capital position of the Group.

2.8 *The Group will be subject to rules on deposit guarantee schemes.*

The EU Deposit Guarantee Scheme Directives (Directive 94/19/EC, recast as Directive 2014/49/EU) have, since 1 July 1995, required EU Member States to introduce at least one deposit guarantee scheme. In the UK, this requirement is satisfied by the FSCS. It is possible that reforms to the FSCS could result in future FSCS levies on the Group differing from those at present, and such reforms could result in the Group incurring additional costs and liabilities. This may have a material adverse effect on the Group's business, financial condition, results of

¹ OSB has permission under Article 9 of the CRR to use the individual consolidation method in respect of certain of its subsidiaries and subsidiary undertakings

operations and/or prospects. Additionally, the effect of the UK's withdrawal from the EU and the expiry of the transition period on the requirement to maintain a deposit guarantee scheme is currently uncertain and it is possible that any amendment to or replacement of the FSCS could expose banks, including the Group, to an increased levy and other costs and liabilities. For example, any reduction in the level of saver protection available under the FSCS (or under any replacement thereof established following the UK's exit from the EU) from the current one hundred per cent. (100%) protection for deposits of up to £85,000 per person per institution may result in savers being more reluctant to deposit money with savings banks generally, potentially resulting in the Group experiencing greater difficulty in attracting retail deposits, which may adversely affect the Group's results of operations, due to upward pressure on the interest rates payable on retail deposits and may ultimately give rise to an adverse impact on liquidity and ability to fund new loans.

3. RISKS RELATING TO REGULATION AND LEGISLATION

3.1 *The Group will be subject to MREL requirements, the ultimate quantum, cost and timing of which may change.*

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

The Bank of England sets MREL annually for all UK banks and MREL must be set on both an individual bank and group consolidated basis. Generally, for smaller banks that would be subject to modified insolvency if they failed, the MREL requirement can be met by achievement of the firm's minimum regulatory capital requirements as a going concern (excluding buffers), while larger banks with a resolution strategy involving the use of bail-in or partial transfer tools are required to hold additional MREL resources.

On 13 July 2020, the Bank of England confirmed that the preferred resolution strategy for the Group is to be bail-in with a single point of entry (being the level of the Group at which bail-in powers would be exercised) at the parent company level. The parent company level is currently OSB, but it is expected that the Company will replace OSB as the single point of entry once it has been established as the new holding company for the Group. Additionally, CCFSL was identified by the Bank of England as a 'material subsidiary'. As such, the Group will be subject to external group consolidated MREL, and CCFSL will be subject to internal MREL on an individual basis due to its designation as a 'material subsidiary'. Once the Company has been established as the new holding company for the Group, it is likely that the Bank of England will also categorise OSB as a 'material subsidiary', at which point OSB would also be subject to internal MREL on an individual basis.

The Bank of England has given the Group a transitional period of three years to meet its new interim MREL requirement (i.e., until 13 July 2023) and five years to meet its new end-state MREL requirement (i.e., until 13 July 2025). Until 13 July 2023, the group consolidated MREL requirement has been set at minimum regulatory capital requirements. From 13 July 2023, the group consolidated MREL requirement has been set at 18 per cent. of risk weighted assets. From 13 July 2025, the group consolidated MREL requirement has been set at the higher of: (i) two times the sum of the Pillar 1 and Pillar 2A requirement (i.e., 2x (Pillar 1 + Pillar 2A)); or (ii) if subject to a leverage ratio requirement, two times the applicable requirement.

However, only the 2020 MREL requirements are binding, and the 2021-2025 MREL requirements (including the interim and end-state MRELS applicable from 13 July 2023 and 13 July 2025 respectively) have been set on an indicative basis at this stage. The Group's MREL requirements

are, therefore, subject to change, and this will depend on a number of factors, including (but not limited to) changes to OSB and CCFSL and their balance sheets, changes to the preferred resolution strategy applicable to OSB and CCFSL and any change in PRA or international policy that alters the ways risk weighted assets or the exposure measure of the leverage ratio (should it become applicable) are assessed. The Bank of England is not bound by those indicative requirements, and the Bank of England has confirmed that, before the end of 2020, it will be reviewing the calibration of MREL and the final compliance date prior to setting end-state MRELS, taking into account intervening changes in the UK regulatory framework and institutions' experience in issuing liabilities to meet their interim MREL requirements. On 7 May 2020, the Bank of England confirmed that 2021 MRELS would reflect the PRA's decision to set Pillar 2A requirements as a nominal amount, instead of as a percentage of total risk weighted assets, in response to COVID-19 and that it would continue to keep MRELS under review and monitor market developments carefully in Q3 2020 to inform its approach in Q4 2020 to setting January 2021 MRELS and indicative January 2022 MRELS. Consequently, the quantum and timing of future MREL requirements for the Group are subject to change.

The Group will also need to confirm and execute its strategy to achieve MREL requirements by the deadlines set by the Bank of England. The cost of MREL for the Group and the successful execution of its MREL strategy (for example, the issuance of MREL-qualifying debt instruments) will depend on, amongst other things, market conditions over which the Group will not have control.

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

Further amendments to the MREL regime applicable to the Group may be made in future, including as a result of the implementation of BRRD II (which is required to be transposed into the national law of EU member states, and into UK law, by 28 December 2020, which is before the expiry of the transition period to which the UK is currently subject). Additionally, the UK's 2020 Budget on 11 March 2020 referred to the UK Government's intention to introduce a Financial Services Bill which would, among other things, enable the implementation of the remaining Basel III banking standards that will not have been incorporated into UK legislation by the end of the transition period.

The Group is establishing a comprehensive programme to ensure all aspects of the Bank of England's Resolvability Assessment Framework ("RAF") are understood and integrated into the Group's policies and procedures for assessing the Group's on-going resolution capabilities. The Group's response to the three primary areas of the RAF (being: (i) Assessment & Disclosure; (ii) Resolvability Capabilities; and (iii) Assurance & Risk Management), will be developed in a proportionate and considered manner. In particular, the Group will leverage its existing risk and operational resilience capabilities to ensure effective compliance with the RAF.

3.2 *The Group intends to seek approval from the PRA of its internal ratings based approaches to calculate its regulatory capital requirements. Failure to achieve such approval could have a material adverse effect on the Group's business, capital position, financial condition, results of operations and/or prospects.*

The amount of capital required to be held by the OSB Group is based on the risk weightings of its relevant assets. The methodology to determine the amount of capital required to be held by UK banks is currently based on EU legislation, as applied in the UK, which in turn broadly implements the Basel III capital framework. There are two approaches to calculating the risk-weighting for credit risk to be attributed to a bank's assets: the "standardised approach", which requires that capital be held against exposures based on a prescribed set of risk weights, according to requirements set in the legislation; and the "internal ratings based approach", which

allows banks to develop their own models to quantify required risk weights for exposure (the use of such models by UK banks must be approved by the PRA).

OSB is in discussions with the PRA regarding approval of OSB's and CCFSL's internal models for their respective mortgage portfolios and the potential combination of these models. The impact of receiving approval from the PRA of the Group's internal models for its mortgage portfolios (including any potential benefit) is uncertain, although the OSB Group believes it could deliver more favourable capital treatment than would be the case if the Group is subject to the standardised approach (in the event that it does not receive approval from the PRA for its internal models for its mortgage portfolios). Changes to the internal ratings based approach may, however, place a limit on the regulatory capital benefits that the Group may derive from using its own internal models relative to the standardised approach, which may result in the Group being subject to less advantageous capital treatment, which may have a material adverse effect on the Group's business, capital position, financial condition, results of operations and/or prospects.

Failure of the Group to achieve, or a delay in achieving, approval of its internal models for its mortgage portfolios for any reason may mean that it will be difficult for the Group to improve its capital management capabilities and may result in the Group being subject to less advantageous capital treatment arising as a result of proposed changes to the standardised approach, which may have a material adverse effect on, for instance, the pricing of its products, which could in turn have a material adverse effect on the Group's business, capital position, financial condition, results of operations and/or prospects.

In addition, although it is not certain as to whether and when they will be implemented in the UK, the potential implementation of new risk weights under the standardised approach is likely to increase the capital requirements to which the Group will be subject if the Group fails to achieve approval from the PRA of its internal models for its mortgage portfolios by the implementation date. This may mean that it will be difficult for the Group to compete effectively, which could have a material adverse effect on its business, capital position, financial condition, results of operations and/or prospects.

3.3 *The Group will be subject to prudential regulatory capital and liquidity requirements.*

The prudential regulatory requirements to which the Group will be subject are likely to further grow in the short term and it is likely that further regulatory changes will be implemented in this area. The prudential regulatory capital and liquidity requirements to which the Group will be subject are primarily set out in the CRR and the rules implementing CRD IV. In addition, the Group will be subject to additional requirements imposed by the Bank of England, the PRA and the FCA.

CRD IV requirements are based on complex regulations which are capable of misinterpretation. Moreover, prudential requirements adopted in the UK, or the way in which those requirements are interpreted or applied may change, including as a result of changes to regulatory or implementing technical standards or guidance to be developed by the European Banking Authority, changes to the way in which the PRA interprets and applies these requirements to UK banks, changes made following the coming into effect of CRD V and CRR II, further changes to CRD IV, CRR, CRD V and CRR II agreed by the EU, and as a result of changes in UK Government policy following the exit of the UK from the EU on 31 January 2020. Similarly, there may be changes to national prudential requirements that apply to banks. These changes, either individually or in aggregate, may lead to further unexpected changes or enhancements to prudential requirements in relation to the capital, leverage, liquidity and funding ratios and requirements of the Group or of operating companies in the Group. Certain of these prudential requirements take into account, among other factors, macroeconomic indicators and may increase if such indicators change.

On 7 June 2019, amendments to the CRR and CRD IV through CRR II and CRD V were published. CRR II and CRD V introduce changes to the leverage ratio, requirements for own funds and MREL, counterparty credit risk, market risk, exposures to central counterparties, large exposures, reporting and disclosure requirements, remuneration, capital conservation measures and the net stable funding ratio, amongst others. The majority of the provisions of CRR II will apply from 28 June 2021 (although certain provisions, such as those relating to the definition of

own funds, were implemented from 27 June 2019) with CRD V to apply from 29 December 2020. Changes introduced by CRR II and CRD V, and proposals and initiatives by the BCBS, may result in changes to the prudential requirements which apply to the Group and may (amongst other requirements) result in the Group being required to hold additional capital which, in turn, could materially adversely affect the Group's access to liquidity and funding costs, and its compliance costs, and delay, limit or restrict the execution of its strategy, and/or have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. In December 2017, the BCBS issued its finalised revisions to the standardised approach for measuring operational risk capital which will be used by the Group. The revised approach, which factors in historical operational risk losses as well as business indicator measures, is due to take effect from 1 January 2022.

The Group will set its internal target amount of capital and liquidity based on PRA guidance and following an assessment of its risk profile, market expectations and regulatory requirements in relation to both capital and liquidity. The Group may experience a depletion of capital resources through increased costs or liabilities incurred as a result of the crystallisation of other risks. If market expectations as to capital levels increase, driven by, for example, the capital levels or targets among other banks, or if new or amended legal or regulatory requirements are introduced, the Group may experience pressure to increase capital ratios. An analogous risk applies in relation to liquidity.

The Group will be required to maintain certain capital ratios by applicable law, regulation and guidance. These capital ratios express the ratio between required capital resources and risk-weighted assets. Certain events are likely to affect the Group's capital ratios in differing ways. For example, CET1 capital is likely to be affected by losses, increased costs or liabilities, write-downs and impairments or accounting charges, and the manner in which risk-weighted assets are calculated may be affected by changes to applicable law and regulation. It is also possible that the capital ratio that the Group is required to maintain may itself change as a result of changes in regulation that impose requirements for higher levels and quality of capital to be held and it is possible that the eligibility criteria for capital that the Group is required to hold may change as a result of changes to applicable law, regulation and guidance. Additionally, as the Group expands its operations and balance sheet, its capital requirements are subject to increase. Any such requirements for the Group to increase its capital resources could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

If the Group were to fail to meet its minimum regulatory capital or liquidity requirements, it may be subject to regulatory action or sanctions and may be required to raise additional capital or liquidity (as applicable), may need to implement management actions to enhance its capital or liquidity position (as applicable), may be required to cease all or certain lines of new business and, in an extreme adverse scenario, may be required to implement its recovery plan or be resolved by the Bank of England (as the UK resolution authority). The ability of the Group to do business will be constrained to the extent that it does not maintain sufficient levels of capital. Moreover, if the Group were to maintain excess liquidity, or if the levels of liquidity it would be required to maintain were to increase significantly because of regulatory changes, this could reduce its overall profitability.

In addition, a shortage of capital or liquidity that arises in the longer term could affect the ability of the Group to pay liabilities as they fall due, and pay future dividends and distributions, and could affect the implementation of the Group's business strategy, affecting future growth potential. If, in response to any such capital shortage or to satisfy such future capital requirements, the Group raises additional capital through the issuance of share capital or other capital instruments, existing shareholders may experience a dilution of their holdings or reduced profitability and returns. Any inability of the Group to maintain its regulatory capital or liquidity requirements, or any legislative changes that limit the ability of the Group to manage its capital or liquidity effectively, may have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

3.4 ***The Group will operate in a highly regulated industry that has increasingly come under regulatory and public scrutiny in recent years.***

The OSB Group, in common with other financial services firms, has in recent years faced increased levels of regulation and greater regulatory and public scrutiny in respect of its businesses. Following the financial crisis, additional powers intended to protect consumers, ensure redress and strengthen financial stability have been granted to regulators. The principal regulators of the Group will be the PRA (which is responsible for prudential regulation and supervision of PRA-authorized firms, such as banks, insurers and major investment firms), the FCA (which is responsible for the prudential regulation of FCA-authorized firms, such as mortgage intermediaries, and the conduct regulation of PRA- and FCA-authorized firms) and the ICO (which is responsible for the regulation of data privacy). The PRA, FCA and ICO can apply a wide range of sanctions to firms (and individuals working for firms) found to be operating in breach of law or regulation, or in a manner deemed to pose a significant risk to their statutory obligations, including public or private censure, fines, regulatory proceedings and, in extreme cases, suspension or withdrawal of authorisation to operate particular parts of their business or prosecution. This heightened level of regulatory scrutiny and the increase in the volume of regulation has resulted in financial services businesses requiring larger compliance functions and more highly qualified risk and compliance personnel, and has added significantly to the costs of such business.

The liability for individuals and the risk of penalties has increased for senior managers, in particular, as a result of the SM&CR. This regime has also imposed an additional regulatory burden on the OSB Group, which has to conduct ongoing fitness and propriety assessments for the senior managers, the non-executive directors who are not senior managers and the certified staff (including material risk-takers) of the PRA- and FCA-authorized firms in the OSB Group and has to ensure that all its staff (with some minor exceptions) understand the conduct rules that apply to them.

The FCA is empowered to require firms to operate a consumer redress programme, under which the firm is required to make redress to customers where it has failed to carry on its activities in accordance with its regulatory obligations, which can result in significant costs for financial services firms. The FCA also has temporary product intervention powers, which enable it to restrict certain products, product features or their promotion for up to twelve (12) months without public consultation. Certain consumer bodies have the power to refer so-called “super-complaints” to the FCA for further investigation as well. Most retail consumers and certain other customers are also entitled to refer complaints to the FOS, and recent years have seen an increase both in the number of cases referred to the FOS and in general public awareness regarding the ability to challenge firms.

The industry-wide and firm-specific practices in relation to arrears, collections and forbearance procedures resulting in poor customer outcomes and financial distress are an area of current regulatory focus. The practices within the regulated residential mortgage markets regarding both first and second charge mortgages are subject to active supervisory monitoring through market data analysis, complaints to businesses, notifications from businesses and multi-business thematic reviews. If the Group’s arrears, repossession, forbearance and vulnerable customer policies and procedures are assessed to be misaligned to the individual needs of customers and regulatory expectations, the Group runs the risk of causing harm to its customers, particularly those experiencing financial hardship or vulnerable customers, with the potential for reputational damage, redress and other regulatory actions.

In June 2019, the PRA published the overall findings of its review into certain non-systemic deposit taking firms including OSB and CCFSL, most of which exhibit faster asset growth than the market as a whole (“FGFs”). The review, amongst other things: highlighted the need for FGFs to strengthen stress analysis and stress management capabilities; recognised deficiencies in certain FGFs’ stress modelling and growth assumptions; highlighted a lack of diversity in funding sources for a number of FGFs; drew attention to the execution and refinancing risks arising out of many FGFs’ balance sheet growth targets requiring maximisation of funding from all available funding sources; and found that certain FGFs demonstrated weaknesses in credit expertise and control (with respect to risk appetite, collections, and underwriting).

Whether the PRA's work in this area has any effect on the Group remains unclear, however it is possible that non-systemic deposit taking firms may become the focus of future regulatory developments and/or scrutiny in the future with the result that the Group may be required to change its business model and/or procedures, with the potential for this to cause significant expense and to have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Investigating and dealing with regulatory proceedings, providing redress and the cost of any regulatory sanctions may involve significant expense. The use of product intervention powers by the FCA may restrict the operations of the Group and its ability to offer new products to its customers, in particular, as a result of any adverse impact to the reputation of the Group. In any case, adverse publicity relating to regulatory action could undermine customer confidence in the Group and reduce demand for its products and services.

3.5 *If the Bank of England, as resolution authority, were to exercise its powers under the UK rules implementing the BRRD, then Shareholders may experience dilution of, or losses on, their holdings and may not receive any compensation for their losses. If there were a resolution situation, financial public support would only be available to the Group as a last resort, if at all.*

The BRRD contains requirements relating to recovery and resolution plans, early supervisory interventions and the resolution of firms (including the introduction of a bail-in tool). The UK resolution regime (including rules implementing the BRRD) contains provisions for the Bank of England, as the resolution authority for the UK, to have stabilisation powers, including those through which it may: (i) require the transfer of part or all of the business of a bank to a private sector purchaser; (ii) require the transfer of part or all of the business of a bank to a subsidiary of the Bank of England; (iii) require the transfer of assets, rights and liabilities of a bank to an asset management vehicle; and (iv) write down (partially or wholly) a bank's equity and debt to absorb losses, and convert debt into equity to recapitalise the bank. In addition, it provides for preferential ranking on insolvency for certain deposits that are eligible for protection by deposit guarantee schemes (including the uninsured element of such deposits) in priority to deposits that are not similarly eligible, and introduces a bank funded resolution fund.

If the Bank of England were to exercise its powers under the UK resolution regime in relation to the Group, then Shareholders may experience dilution of, or losses on, their holdings and may not receive any compensation for their losses. If there were a resolution situation, the Group may not be able to rely on any financial public support or would only be able to rely on such support as a last resort.

3.6 *The Group will be subject to risks associated with compliance with a wide range of laws and regulations.*

The operations of the Group will be heavily regulated and it must comply with numerous laws and regulations, including those relating to taxation, and may face enforcement action from regulators and others for any failure to comply. Regulatory compliance risk arises from a potential failure or inability to comply fully with the laws, regulations and codes applicable to the Group and its members. For example, UK financial institutions, including the OSB Group and its members, are subject to a high level of scrutiny by regulatory bodies (including the Bank of England, the FCA, the PRA, the Payment Systems Regulator, the CMA, the Pensions Regulator and the ICO regarding the treatment of customers) and also by the press and politicians. Financial institutions and their employees have also been subject to customer complaints and regulatory investigation and/or enforcement action regarding mis-selling of financial products, adequacy of systems and controls, handling of customers in arrears and conduct leading to customer detriment and the mishandling of related complaints, which has resulted in disciplinary action and/or requirements to amend sales processes, withdraw products and/or provide restitution to affected customers, all of which result in costs and may require provisions in addition to those already taken.

Regulatory enforcement actions may pose a number of risks to the Group, including substantial monetary damages or fines, the amounts of which are difficult to predict and may exceed the amount of provisions set aside to cover such risks. In addition, the Group and/or its employees may be subject to other penalties and injunctive relief, civil or private litigation arising out of the

same subject matters as a regulatory investigation, the potential for criminal prosecution in certain circumstances and regulatory restrictions. All of these issues could have a negative effect on the reputation and the confidence of the customers of the Group, as well as taking a significant amount of management time and resources away from the execution of strategy and the operation of the business of the Group, and could potentially affect the ability of the Group to carry on business in the manner envisaged.

The Group may settle litigation or regulatory proceedings before a final judgment or determination of liability to avoid the cost, diversion of management time and effort or negative business, regulatory or reputational consequences of continuing to contest liability or when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse customers or counterparties for their losses even in situations where there are no litigation proceedings and the Group does not believe that it is legally compelled to do so. Failure to manage these risks adequately could have a material adverse effect on the business, financial condition, results of operations, reputation and/or prospects of the Group.

In addition, the Group will be subject to risks associated with compliance with future laws and regulations, including in relation to taxation. The Group may not be able to definitively predict the impact of such changes (including, without limitation, the practical implementation of such changes by the courts and/or regulatory authorities), but compliance, or a failure to comply, with future laws and regulations could have a material adverse effect on the business, financial condition, results of operations, reputation and/or prospects of the Group.

A significant proportion of current and anticipated English law and regulations currently derive from, or are designed to operate in concert with, EU law. This is especially true of English law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure and mortgage and consumer credit regulation. Depending on the timing and terms of any future trade deal concluded with the EU and the UK Government's approach to amending EU-derived laws following expiry of the transition period, significant changes to English law in areas relevant to the Group may be expected following expiry of the transition period. The Group cannot predict what any such changes will be and this inability to accurately predict future developments may increase uncertainty and compliance costs for the Group.

3.7 *The Group will be subject to substantial and changing conduct regulations.*

The Group will be exposed to many forms of conduct risk, which may arise in a number of ways. In particular:

- (a) in January 2020 the OSB Group was contacted by the FCA in connection with a multi-firm thematic review into forbearance measures adopted by lenders in respect of a portion of the mortgage market. The OSB Group is currently in the process of responding to information requests from the FCA and it is not yet possible to predict the outcome of the review, although there is a risk of a material adverse effect on the Group's business, financial condition, results of operations and/or prospects if the review results in negative findings in respect of the Group;
- (b) certain aspects of its business may be determined by its regulators, including the FCA, the PRA, the ICO, HM Treasury, the CMA or the courts, as not being conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the opinion of FOS. If the Group fails to comply with any relevant regulations, there is a risk of a material adverse effect on its business, financial condition, results of operations and/or prospects due to sanctions, fines or other actions imposed by the regulatory authorities; and
- (c) it may be subject to, for example, allegations of mistreatment of existing customers, which may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products or provide redress to affected customers, any or all of which could result in the incurrence of significant costs, may require provisions to be recorded in the financial statements of the Group and could adversely affect future revenues from affected products.

Moreover, businesses and other assets (including portfolios) acquired by the OSB Group may not have been conducted, managed or originated in accordance with applicable laws or regulations or in a fair and reasonable way and the Group may be exposed to risks associated with such conduct to the extent they are not covered against losses in the relevant purchase agreements (for example, following the expiration of conduct warranties).

Failure to manage these risks adequately could lead to significant liabilities or reputational damage to the brands of the Group, which could have a material adverse effect on its business, financial condition, results of operations, prospects and/or relations with customers.

3.8 *The Group will be subject to substantial and changing regulation and associated regulatory risk.*

The wide range of financial laws and regulations to which the OSB Group is subject results in associated regulatory risks, including those which may arise as a result of the introduction of, or amendments to, laws, regulations, rules, policies, industry-wide codes of practice, guidance and/or initiatives at both the UK and, until the expiry of the transition period and, following that, depending on the outcome of the UK's trade negotiations with the EU, EU level.

These regulatory risks have the potential to significantly affect the way that the Group conducts its business and, in particular, may restrict the scope of its existing business, limit its ability to expand product offerings, or cause its products and/or services to become more expensive. Future regulatory developments may also materially adversely affect the Group's access to liquidity, increase its funding costs, increase its compliance costs and/or delay, limit or restrict its strategic development.

Failure to comply with the wide range of laws and regulations which will apply to the Group may result in a number of adverse consequences, including:

- (a) substantial fines, penalties, injunctive relief and/or monetary damages (which may be difficult to quantify in advance) being imposed on one or more members of the Group;
- (b) regulatory investigations, reviews, proceedings and enforcement actions being taken against one or more members of the Group;
- (c) the Group being required to amend sales processes, product and service terms and disclosures, withdraw products and/or provide redress or compensation to affected customers;
- (d) the Group not being able to enforce contractual terms (either at all or as it had intended) or having contractual terms enforced against it in an adverse way;
- (e) civil or private litigation (brought by individuals or collectively) being brought against any member of the Group in the UK or another jurisdiction;
- (f) criminal enforcement proceedings being taken against any member of the Group; and/or
- (g) regulatory restrictions on the Group's business, any of which (alone or in tandem) may cause the Group to incur significant costs and/or record provisions in its financial statements.

Additional regulatory restrictions may also be placed on the Group, it may be required to hold additional capital and/or liquidity, and—in extreme cases—the FCA or the PRA may cancel or restrict the Group's regulatory authorisations altogether (thereby preventing or impeding it from carrying on certain of its businesses). There may also be harm to the Group's reputation.

4. RISKS RELATING TO THE SCHEME

4.1 *Implementation of the Scheme is subject to regulatory approvals and within the discretion of the Court*

Implementation of the Scheme is conditional upon, amongst other things, receipt of the necessary regulatory approvals from the PRA and the FCA and being sanctioned by the Court. There is a risk that the regulatory approvals may not be provided (or may be provided subject to

conditions) and/or the Court will not sanction the Scheme and that, as a result, the Scheme will not be implemented on a timely basis or at all.

In particular, implementation of the Scheme is conditional on:

- (a) the PRA having been notified of, and having approved or having been deemed to have approved in accordance with the relevant applicable law or regulation (to the extent such notification, approval (or deemed approval) is required by the relevant applicable law or regulation and has not been withdrawn or deemed withdrawn) the cancellation of the Scheme Shares and the related share premium account under Article 78(1) of the CRR; and
- (b) in respect of the Company in connection with the acquisition of the Intra-Group Shares under the Scheme, the appropriate regulator (as defined in section 178(2A) of FSMA) of each UK authorised person (as defined in section 191G of FSMA) within the OSB Group:
 - (i) having given notice for the purpose of section 189(4)(a) of FSMA that it has determined to approve such acquisition of control unconditionally; (ii) having given notice for the purpose of section 189(7) of FSMA that it has determined to approve such acquisition of control subject to conditions that are acceptable to the Company (acting reasonably); or (iii) being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of control, in each case, where references to FSMA are read, where applicable, with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774).

As at the Latest Practicable Date, the Company has received the approvals under section 189(4)(a) of FSMA referred to in paragraph (b). These approvals will expire on 31 December 2020, unless renewed. There is a risk that, in the event that the Scheme is not implemented on or before 31 December 2020, the PRA and/or FCA may not extend or renew the regulatory approvals with the effect that they expire, resulting in the Scheme not being implemented on a timely basis or not at all.

4.2 *Implementation of the Scheme is conditional upon approval by the OSB Shareholders*

Implementation of the Scheme is conditional upon, amongst other things, approval by OSB Shareholders. If: (i) the resolution to approve the Scheme is not passed by a majority in number of OSB Shareholders representing not less seventy-five per cent. (75%) in value of the voting rights of the Old OSB Shares held by those OSB Shareholders present and voting, either in person or by proxy, at the OSB Court Meeting; or (ii) the resolutions to approve the Scheme and various matters in connection with the Scheme are not passed at the OSB General Meeting, then the Scheme will not be implemented on a timely basis or at all.

5. RISKS RELATING TO THE NEW OSB SHARES

5.1 *The value of New OSB Shares may fluctuate*

Following Admission, the New OSB Shares will be publicly traded and, as a result of a number of factors and events their market price may be volatile. Some of these events, for example, market conditions, geopolitical developments or the actions of competitors, will be outside of the control of the Group.

5.2 *On the Scheme Effective Date, the Company will have no distributable profits or reserves to enable it to pay dividends to Shareholders. Shareholders may therefore not receive a return on their investment or may receive a negative return and lose some or all of their capital*

The Company's results of operations and financial condition will be, if the Scheme is implemented, dependent on the trading performance of the members of the Group. There can be no assurance that the Company will pay dividends in the future. Any decision to declare and pay dividends in the future will be made at the discretion of the Directors and will depend on, amongst other things, applicable law, regulation, restrictions, the Company's and the Group's financial performance and position (including the availability of distributable profits and reserves and cash available or able to be made available in the hands of the Company for this purpose), regulatory

capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

On the Scheme Effective Date and pending distributable profits or reserves arising or being generated as outlined below, the Company will have no distributable profits or reserves to enable it to pay dividends to Shareholders. As a holding company, other than through the implementation of the corporate actions as described below, the Company's ability to pay dividends will therefore depend on the level of dividends and other distributions received from its operating subsidiaries and companies in which it has an investment. The payment of dividends or return of cash by other means to the Company by its subsidiaries and companies in which it has an investment is, in turn, subject to restrictions, including the existence of sufficient distributable reserves and cash in those subsidiaries and applicable regulatory requirements.

Other corporate actions may be available to the Company in order to create distributable profits or reserves. These include, for example, actions in relation to the nominal value of its issued share capital and to other share capital accounts on its balance sheet, in each case which would have the effect of creating distributable reserves. The implementation of any one or more of these corporate actions may require prior regulatory approvals, Shareholder approvals and/or Court approvals. There is a risk that the Group would need to spend a significant amount of time, and incur significant costs, in connection with seeking such approvals. In addition, such approvals may not be forthcoming (or may be provided subject to certain conditions) which could result in the Company not being able to implement the required corporate steps to create or increase its distributable profits or reserves.

If the Company is unable to generate distributable profits or reserves through one or more of the means outlined above, Company's ability to pay dividends to Shareholders would be adversely affected, which in turn could have a material adverse effect on the market price of the New OSB Shares. The Company is currently considering the most appropriate means by which to generate distributable profits or reserves through one or more of the processes outlined above. However, if the Company is unable to implement any of these options and cannot thereby generate distributable profits or reserves, the Company will be unable to pay dividends to Shareholders. There is therefore no guarantee that Shareholders will receive a return on their investment and they may receive a negative return and lose some or all of the capital invested.

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

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

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

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

The Company may also seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, such as in connection with share

incentive and share option plans, issue additional equity or convertible equity securities. The Company's then existing Shareholders would suffer dilution in their percentage ownership if they did not participate, or were not eligible to participate in, any such issues pro rata to their existing holdings.

5.4 Admission may not occur when expected.

Application for Admission will be made before the Scheme Effective Date. If the Scheme Effective Date is delayed, the application for Admission will be delayed. Admission is subject to the approval (subject to satisfaction of any conditions that such approval is expressed) of the FCA. There can be no guarantee that any conditions to which Admission is subject will be met or that the FCA will approve Admission.

5.5 Shareholders outside the UK may be disadvantaged by local securities laws and service of process requirements.

The securities laws of certain jurisdictions outside the UK may restrict the participation by, or the Company's ability to allow participation of, certain Shareholders in such jurisdictions in any future issues carried out by the Company of New OSB Shares or of other securities. In the case of a future allotment of New OSB Shares for cash, the then existing Shareholders have certain statutory pre-emption rights unless those rights are disapplied by a special resolution of the Shareholders at a general meeting. An issue of New OSB Shares not for cash or when pre-emption rights have been disapplied could dilute the interests of the then-existing Shareholders. In addition, it may not be possible for investors outside the United Kingdom to effect service of process against the Company, the Group or the Directors or to enforce the judgment of a court outside the United Kingdom against the Company, the Group or the Directors.

PART IV

IMPORTANT NOTICES

1. GENERAL

The contents of this Prospectus are not to be construed as legal, financial or tax advice. Recipients of this Prospectus should consult their own lawyer, financial adviser or tax adviser for legal, financial or tax advice, as appropriate.

Recipients of this Prospectus should only rely on the information contained in this Prospectus and any information incorporated in this Prospectus by reference, as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus. For the avoidance of doubt, no documents, announcements or publications other than those listed in Part XV (*Documents Incorporated by Reference*) of this Prospectus are incorporated in this Prospectus by reference.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and PR 3.4.1 of the Prospectus Regulation Rules, neither the publication of this Prospectus nor any distribution of New OSB Shares shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group taken as a whole since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to its date.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, the Group, Rothschild & Co or any other person involved in the preparation of this Prospectus. No representation or warranty, express or implied, is made by the Company, the Directors, OSB, the OSB Directors, the Group, Rothschild & Co or any other person involved in the preparation of this Prospectus as to the accuracy or completeness of such information or representation. Nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by Rothschild & Co as to the past, present or future.

2. NO INCORPORATION OF WEBSITES

The contents of the Company's website (www.osb.co.uk/investors/) and the Group's website (<https://www.osb.co.uk>) and the contents of any website accessible from hyperlinks on such websites (other than the information as set out in Part XV (*Documents Incorporated by Reference*) and Section 21 (*Documents Available for Inspection*) of Part XIV (*Additional Information*) of this Prospectus) do not form part of this Prospectus and no one should rely on them.

3. FORWARD LOOKING STATEMENTS

Certain statements in this Prospectus relate to the future, including forward-looking statements relating to the Group's financial position and strategy. These statements, including the explanatory wording in this Prospectus in relation to the Company's working capital, relate to future events or the future performance of the Company but do not seek in any way to qualify the working capital statement given by the Company. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or other similar words. These statements discuss future expectations concerning the Group's results of operations or financial condition, or provide other forward-looking statements.

These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, including the risk factors set out in the section entitled 'Risk Factors', many of which are beyond the Group's control, and which may cause the actual results to differ materially from those expressed in the statements contained in this Prospectus. The Group's actual results of operations, financial condition and the development of the business sectors in which the Group operates may differ materially from those suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Group's actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with

the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Recipients of this Prospectus are cautioned not to put undue reliance on forward-looking statements.

Other than as required by law, none of the Company, its officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Prospectus will actually occur, in part or in whole.

Additionally, statements of the intentions of the Board and/or Directors reflect the present intentions of the Board and/or Directors, respectively, as at the date of this Prospectus and may be subject to change as the composition of the Board alters, or as circumstances require. Except as required by law, the Company disclaims any obligation or undertaking to update or revise any forward-looking statement in this Prospectus.

The forward-looking statements speak only as at the date of this Prospectus. To the extent required by applicable law or regulation (including as may be required by the Companies Act, Prospectus Regulation Rules, Listing Rules, MAR, Disclosure Guidance and Transparency Rules and FSMA), the Company will update or revise the information in this Prospectus. Otherwise, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

4. NO FORECASTS OR ESTIMATES

Nothing in this Prospectus is intended as a profit forecast or estimate for any period and no statement in this Prospectus should be interpreted to mean that earnings or earnings per share or dividend per share for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or dividend per share for OSB.

5. HISTORICAL FINANCIAL INFORMATION RELATING TO THE OSB GROUP

All financial information relating to the OSB Group contained in this Prospectus, unless otherwise stated, has been extracted or derived without material adjustment from their audited consolidated financial statements as of, and for, the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017 and their unaudited consolidated financial statements as of, and for, the six months ended 30 June 2020.

The Company was incorporated on 2 May 2019 and as at the date of this Prospectus has no historical operations of its own. Therefore, this Prospectus does not present any stand alone, unconsolidated financial information for the Company.

6. FINANCIAL INFORMATION

Recipients of this Prospectus should consult their own professional advisers to gain an understanding of the financial information contained in this Prospectus. An overview of the basis for presentation of financial information in this Prospectus is set out below.

7. ROUNDING

Certain numerical figures contained in this Prospectus including financial information, market data and certain operating data, have been subject to rounding adjustments for ease of presentation. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

8. DEFINED TERMS

The meanings of defined terms used in this Prospectus are set out in the Schedule (*Definitions*).

PART V

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	David Weymouth (<i>Non-Executive Chairman</i>) Andy Golding (<i>Chief Executive Officer</i>) April Talintyre (<i>Chief Financial Officer</i>) Noël Harwerth (<i>Senior Independent Director</i>) Graham Allatt (<i>Independent Non-Executive Director</i>) Sarah Hedger (<i>Independent Non-Executive Director</i>) Rajan Kapoor (<i>Independent Non-Executive Director</i>) Mary McNamara (<i>Independent Non-Executive Director</i>)
Company Secretary	Jason Elphick
Registered office	OSB House Quayside Chatham Maritime Kent ME4 4QZ
Sponsor	Rothschild & Co New Court St Swithin's Lane London EC4N 8AL
Reporting accountants	KPMG LLP 15 Canada Square London E14 5GL
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ
Legal advisers to the Company	Slaughter and May One Bunhill Row London EC1Y 8YY
Legal advisers to the Sponsor	Latham & Watkins (London) LLP 99 Bishopsgate London EC2M 3XF
Registrar	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA

PART VI

INFORMATION ABOUT THE SCHEME AND RELATED PROPOSALS

1. BACKGROUND TO AND REASONS FOR THE SCHEME

On 13 July 2020, the Bank of England confirmed that the preferred resolution strategy for the OSB Group is to be bail-in with a single point of entry (being the level of the OSB Group at which bail-in powers would be exercised) at the parent company level. The Bank of England has given the OSB Group a transitional period of three years to meet its new interim MREL requirement (i.e., until 13 July 2023) and five years to meet its new end-state MREL requirement (i.e., until 13 July 2025).²

The Company is proposing to establish a new holding company for the OSB Group to facilitate the issuance of MREL-qualifying debt instruments and compliance with the OSB Group's MREL requirements, in line with its intention as stated at the time of the Charter Court Combination. The new holding company will also help ensure compliance with the OSB Group's 'single point of entry' resolution strategy.

The introduction of the Company as a new holding company above OSB and its subsidiaries will be effected by means of a scheme of arrangement pursuant to Part 26 of the Companies Act between OSB and the OSB Shareholders, the principal features and effect of which are set out in Section 2 of this Part VI (*Information about the Scheme and Related Proposals*). The Scheme Document includes full details of the Scheme, together with an explanatory statement and the notices convening the OSB Court Meeting and the OSB General Meeting. The Scheme Document also contains the expected timetable for the Scheme and specifies the necessary actions to be taken by OSB Shareholders. The Scheme Document and the forms of proxy for use in connection with the OSB Court Meeting and the OSB General Meeting (as applicable) are being made available to all OSB Shareholders at no charge to them.

As explained below in Section 2 of this Part VI (*Information about the Scheme and Related Proposals*), the Scheme is not expected to have any adverse impact on OSB Shareholders.

The information in this Part VI (*Information about the Scheme and Related Proposals*) also explains related proposals to be implemented by OSB and the Company in connection with the Scheme.

2. PRINCIPAL FEATURES OF THE SCHEME

The principal steps in relation to the Scheme are as follows:

2.1 *Cancellation of the Scheme Shares*

All of the Scheme Shares will be cancelled and extinguished on the Scheme Effective Date.

2.2 *Issue of Intra-Group Shares by OSB to the Company*

Following the cancellation of the Scheme Shares, the credit arising in the accounts of OSB as a result of the cancellation will be capitalised and applied in paying up in full at par such number of Intra-Group Shares as shall be equal to the number (and aggregate nominal value) of the Scheme Shares cancelled.

The Intra-Group Shares will be allotted and issued, credited as fully paid, to the Company which will, as a result, become the new holding company of OSB and of the OSB Group.

² Until 13 July 2023, the group consolidated MREL requirement has been set at minimum regulatory capital requirements. From 13 July 2023, the group consolidated MREL requirement has been set at 18 per cent. of risk weighted assets. From 13 July 2025, the group consolidated MREL requirement has been set at the higher of: (i) two times the sum of the Pillar 1 and Pillar 2A requirement (i.e., 2x (Pillar 1 + Pillar 2A)); or (ii) if subject to a leverage ratio requirement, two times the applicable requirement. However, only the 2020 MREL requirements are binding, and the 2021-2025 MREL requirements (including the interim and end-state MRELS applicable from 13 July 2023 and 13 July 2025 respectively) have been set on an indicative basis at this stage. Therefore, the quantum and timing of the OSB Group's future MREL requirements are, therefore, subject to change.

2.3 ***Issue of New OSB Shares by the Company to OSB Shareholders***

In consideration for the cancellation of the Scheme Shares, the holders of the Scheme Shares will receive, in respect of any Scheme Shares held as at the Scheme Record Time:

for every one Scheme Share, one New OSB Share.

With effect from the Scheme Effective Date, the rights attaching to the New OSB Shares will be substantially the same as those attaching to Old OSB Shares at the Scheme Effective Date. Upon the implementation of the Scheme, a Shareholder will have the same proportionate interest in the profits, net assets and dividends of the Group as they currently have as an OSB Shareholder.

2.4 ***Independent valuation report***

In connection with the allotment of the Intra-Group Shares to the Company by OSB as part of the Scheme, OSB will be required to obtain an independent valuation report in accordance with the requirements of section 593 of the Companies Act. The independent valuation report will consider the non-cash consideration (being the New OSB Shares) for the allotment of the Intra-Group Shares to the Company by OSB. It will contain the information prescribed in section 596 of the Companies Act and will be provided to the Company prior to the Scheme Effective Date and delivered to the Registrar of Companies along with the return of allotment of the Intra-Group Shares in connection with the Scheme.

2.5 ***Amendments to the OSB Articles***

At the OSB General Meeting, OSB Shareholders will be asked to approve amendments to the OSB Articles ensuring that: (i) any Old OSB Shares which are issued to any person other than the Company or its nominee(s) before the Scheme Record Time are allotted subject to the terms of the Scheme and the holders of such shares will be bound by the Scheme accordingly; and (ii) any Old OSB Shares which are allotted after the Scheme Record Time will be immediately transferred to the Company in exchange for the issue or transfer to the relevant allottees of one New OSB Share for each Old OSB Share transferred. These amendments are necessary because, in some cases, Old OSB Shares may need to be allotted before the Scheme Record Time but the timing of their allotment could mean that they are not classified as Scheme Shares and are therefore outside the scope of the Scheme. The amendments will avoid any person other than the Company being left holding Old OSB Shares after dealings in such shares have ceased on the London Stock Exchange and will ensure that the Company will own the entire issued share capital of OSB as a result of the Scheme becoming effective.

3. CONDITIONS TO THE IMPLEMENTATION OF THE SCHEME

The Scheme is conditional upon:

- (a) a resolution having been passed by a majority in number of OSB Shareholders representing not less than seventy-five per cent. (75%) in value of the voting rights of the Old OSB Shares held by those OSB Shareholders present and voting, either in person or by proxy, at the OSB Court Meeting, approving the Scheme, as set out in the notice of the OSB Court Meeting;
- (b) resolutions having been passed by the OSB Shareholders approving the Scheme and various matters in connection with the Scheme, including: (i) the cancellation of the Scheme Shares; (ii) changes to the OSB Articles; and (iii) the issue and allotment of Intra-Group Shares to the Company, as set out in the notice of the OSB General Meeting;
- (c) the PRA having been notified of, and having approved or having been deemed to have approved in accordance with the relevant applicable law or regulation (to the extent such notification, approval (or deemed approval) is required by the relevant applicable law or regulation and has not been withdrawn or deemed withdrawn) the cancellation of the Scheme Shares and the related share premium account under Article 78(1) of the CRR;
- (d) in respect of the Company in connection with the acquisition of the Intra-Group Shares under the Scheme, the appropriate regulator (as defined in section 178(2A) of FSMA) of each UK authorised person (as defined in section 191G of FSMA) within the OSB Group: (i) having given

notice for the purpose of section 189(4)(a) of FSMA that it has determined to approve such acquisition of control unconditionally; (ii) having given notice for the purpose of section 189(7) of FSMA that it has determined to approve such acquisition of control subject to conditions that are acceptable to the Company (acting reasonably); or (iii) being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of control, in each case, where references to FSMA are read, where applicable, with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774);

- (e) the sanction of the Scheme by the Court at the Court Hearing; and
- (f) a copy of the Court Order having been delivered to the Registrar of Companies for registration.

In addition, the Directors will not take the necessary steps to enable the Scheme to become effective unless, at the relevant time, the following conditions have not been satisfied:

- (a) an application has been made to delist the Scheme Shares and to approve the admission, subject to the allotment of the New OSB Shares and the satisfaction of conditions (a) to (d) above, of the New OSB Shares to the premium listing segment of the Official List (including a listing hearing having been held); and
- (b) the London Stock Exchange has agreed to admit the New OSB Shares to trading on its main market for listed securities with a premium listing and its agreement has not been withdrawn prior to the Scheme Effective Date.

The Scheme will become effective on delivery of a copy of the Court Order to the Registrar of Companies. If the Scheme is sanctioned by the Court, and the other conditions of the Scheme are satisfied, the Scheme is expected to become effective on the Scheme Effective Date and dealings in New OSB Shares are expected to commence by 8.00 a.m. on the first Business Day following the Scheme Effective Date.

If the Scheme has not become effective by 31 December 2020 (or such later date as OSB and the Company may agree and the Court may allow), it will lapse, in which event the Scheme will not proceed, OSB Shareholders will remain shareholders of OSB and the Old OSB Shares will continue to be listed on the premium listing segment of the Official List and admitted to trading on the main market of the London Stock Exchange.

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

As at the Latest Practicable Date, the Company has received approvals under section 189(4)(a) of FSMA from: (i) the PRA to acquire control of OSB and CCFSL; and (ii) the FCA to acquire control of PFL and CML, in each case, in connection with the acquisition of the Intra-Group Shares under the Scheme. These approvals will expire on 31 December 2020, unless renewed.

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

4. EFFECT OF THE SCHEME

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

The effect of implementation of the Scheme will be as follows:

- (a) instead of having its ordinary share capital owned by the OSB Shareholders, OSB will become a wholly-owned subsidiary of the Company with effect from the Scheme Effective Date, as a result of all of the Scheme Shares being cancelled and extinguished (as described in Section 2.1 of this Part VI (*Information about the Scheme and Related Proposals*)) and the Intra-Group Shares being allotted and issued, credited as fully paid, to the Company (as described in Section 2.2 of this Part VI (*Information about the Scheme and Related Proposals*));
- (b) instead of owning Old OSB Shares, each OSB Shareholder will, from the Scheme Effective Date, own the same number of New OSB Shares, as a result of the Company having issued New OSB Shares to holders of Scheme Shares as at the Scheme Record Time (as described in Section 2.3 of this Part VI (*Information about the Scheme and Related Proposals*)); and
- (c) the Company will be the holding company of the Group.

The Company has the same Board and management as OSB and will replicate any changes to the composition of the OSB Board that occur between the date of publication of this Prospectus and the Scheme Effective Date. Section 3 of Part VIII (*Directors, Senior Managers, Corporate Governance and Remuneration*) contains additional information on the Board and management of the Company. The Company will continue OSB's compliance with the main principles of the UK Corporate Governance Code, retaining the Group's strong commitment to the high standards of governance and corporate responsibility.

4.1 **OSB Employee Share Plans**

OSB has, since admission of the Old OSB Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange on 10 June 2014, operated the OSB Employee Share Plans.

In addition to the OSB Employee Share Plans, as part of the Charter Court Combination, OSB also implemented one-off rollover arrangements (the "**Mirror PSP**") to allow certain Charter Court Group employees who were participants in the Charter Court Financial Services Group plc Performance Share Plan 2017 to receive one-off replacement awards over Old OSB Shares in respect of awards that lapsed under that plan as part of the Charter Court Combination. In connection with the Charter Court Combination, OSB also offered participants in the all-employee Charter Court Financial Services Group plc Sharesave Scheme the opportunity to exchange their options under that plan for equivalent options over Old OSB Shares (the "**Roll-Over Sharesave**").

The intention is for participants in the Existing Plans to have their awards exchanged for equivalent awards over New OSB Shares, subject to the rules of the Existing Plans (except for the fact that references in the relevant Existing Plan to the member of the OSB Group operating the Existing Plan will be construed as being to the Company). Further information on the Existing Plans is set out in Section 9.6 of Part XIV (*Additional Information*) of this Prospectus.

The Company proposes to implement, prior to and conditional on Admission, equivalent employee incentive arrangements to the Existing Plans which will operate over the New OSB Shares for the purposes of any other future awards. These will be: the Group PSP, Group DSBP and the Group Sharesave (the "**New OSB Employee Share Plans**"). Terms common to the Group Executive Plans are set out in Section 9.4 of Part XIV (*Additional Information*) of this Prospectus and terms common to all are set out in Section 9.5 of Part XIV (*Additional Information*) of this Prospectus.

5. **DELISTING AND CANCELLATION OF OLD OSB SHARES**

The last day of dealing in Old OSB Shares is expected to be 27 November 2020. The last time for registration of transfers of Old OSB Shares is expected to be 6.00 p.m. on 27 November 2020, the Scheme Record Time.

Prior to the Scheme becoming effective in accordance with its terms, an application will be made by OSB to the London Stock Exchange to cancel trading in Old OSB Shares on its main market for listed

securities and to the FCA to cancel the listing of the Old OSB Shares from the Official List, in each case to take effect shortly after the Scheme Effective Date.

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

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

Prior to the Scheme Effective Date, applications will be made to the London Stock Exchange for the New OSB Shares to be admitted to trading on its main market for listed securities and to the FCA for the New OSB Shares to be admitted to the premium listing segment of the Official List.

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

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

7. REORGANISATION

After the Scheme Effective Date, the Company is proposing to implement an internal reorganisation which may involve, among other things, the transfer of CCFS to the Company.

PART VII

BUSINESS AND MARKET OVERVIEW

The following information should be read in conjunction with the information appearing elsewhere in, or incorporated by reference in, this Prospectus, including the financial and other information in, or incorporated by reference in, Part IX (*Historical Financial Information*) and Part X (*Operating and Financial Review*).

1. INTRODUCTION

OSB began trading as a bank on 1 February 2011 and was admitted to the London Stock Exchange's main market for listed securities on 10 June 2014. OSB joined the FTSE 250 index in June 2015. The OSB Group is a specialist lending and retail savings group and includes firms authorised and regulated by the FCA and the PRA.

The OSB Group has grown organically and through the acquisition of businesses and portfolios. On 4 October 2019, OSB acquired the Charter Court Group as a result of the Charter Court Combination. The Charter Court Group, based at 2 Charter Court, Broadlands, Wolverhampton, WV10 6TD, was initially founded in November 2008 as a provider of credit consultancy and mortgage administration services for pools of mortgage loans owned by third parties. It was subsequently granted permission by the Financial Services Authority (now the FCA) to act as an authorised mortgage administrator and lender and also obtained a banking licence from the PRA.

Based in Chatham, Kent, the OSB Group trades under the Kent Reliance, InterBay Commercial, InterBay Asset Finance and Heritable Development Finance brands in the UK. Following the Charter Court Combination, the OSB Group also trades under the Precise Mortgages, Exact Mortgage Experts and Charter Savings Bank brands in the UK. The OSB Group also has a presence in the Channel Islands under the Jersey Home Loans and Guernsey Home Loans brands.

On 30 January 2020 the OSB Group announced that, following completion of the Charter Court Combination, the OSB Board had decided to sell Prestige House (a property associated with its second charge residential brand, Prestige Finance) and create a 'Centre of Excellence' for second charge lending by migrating the existing business of Prestige Finance to Wolverhampton. At the same time, the OSB Group also announced that it planned to discontinue the Prestige Finance brand for new lending. This proposal differs from the statements of intent made by the OSB Group on 14 March 2019 and published in a scheme document setting out the terms of the proposed Charter Court Combination published on 15 March 2019.

The OSB Group primarily targets underserved market sub-sectors that offer high growth potential, attractive risk-adjusted returns and where it has established expertise, platforms and capabilities. These include private rented sector/professional buy-to-let, commercial and semi-commercial mortgages, residential development finance, bespoke and specialist residential lending, secured funding lines and asset finance. Following the Charter Court Combination, the OSB Group retains the market identities and propositions of the OSB Business and the Charter Court Business. The OSB Business targets its customers through specialist brokers and independent financial advisers, and is differentiated through its use of highly-skilled, bespoke underwriting and its efficient operating model. The Charter Court Business is differentiated through risk management expertise and best-of-breed automated technology and systems, ensuring efficient processing, strong credit and collateral risk control and speed of product development and innovation. Through its Exact Mortgage Experts brand, it offers mortgage servicing, administration and credit consultancy.

2. BUSINESS OVERVIEW

The OSB Group's strategic objective is to be a leading specialist lender in its chosen market sub-sectors, supported by a strong retail savings franchise and expertise in accessing wholesale markets. The OSB Group's priorities and business overview are as follows:

2.1 **Strategy and objectives of the OSB Business**

To be a leading specialist lender in chosen markets and market segments; retain focus on bespoke and responsive underwriting; and further deepen relationships and reputation for delivery with intermediaries.

Buy-to-Let/SME

- (A) Buy-to-let mortgages: the OSB Business provides loans to entities and individuals, secured on residential property held for investment purposes.
- (B) Commercial mortgages: the OSB Business provides loans to entities and individuals, secured on commercial and semi-commercial properties held for investment purposes or for owner-occupation.
- (C) Residential development: the OSB Business provides development loans to small- and medium-sized developers of residential property. Loans are staged, with monitoring surveyors signing off each stage of the development before funds are released.
- (D) Funding lines: the OSB Business provides funding lines (loans) to non-bank finance companies secured against portfolios of financial assets, principally mortgages and leases.
- (E) Asset finance: the OSB Business provides loans under hire purchase, leasing and refinancing arrangements to UK SMEs and small corporates to finance business-critical assets.

Residential

- (A) First charge: the OSB Business provides loans to individuals, secured by a first charge against their residential home. The target customers include high-net-worth and complex income customers. The OSB Business also has expertise in shared ownership, lending to first-time buyers and key workers buying a property in conjunction with a housing association.
- (B) Second charge: the OSB Business provides loans to individuals seeking to raise additional funds secured by a second charge against their residential home. It predominantly targets good credit quality borrowers.
- (C) Funding lines: the OSB Business provides funding lines to non-bank lenders who operate in high-yielding, specialist sub-segments such as residential bridge finance.

2.2 **Strategy and objectives of the Charter Court Business**

To target underserved market sub-sectors which are underpinned by positive long-term market dynamics and where it has established expertise spanning the entire mortgage lifecycle through its highly-skilled and experienced teams.

Buy-to-Let/SME

The Charter Court Business provides loans to professional and non-professional landlords through a wide product offering, including personal and limited company ownership and lifetime trackers.

Bridging Loans

The Charter Court Business serves regulated and unregulated borrowers focusing on lending to prime borrowers only to fund short-term cash flow needs, for example to cover light and heavy refurbishments, home improvements, auction purchases and also to “bridge” delays in obtaining mortgages.

Residential

The Charter Court Business targets prime borrowers, complex prime borrowers (including self-employed, help-to-buy, right to buy and new-build) and near-prime borrowers (with imperfections in their credit history that are considered minor by the Charter Court Business).

Second Charge Mortgages

The Charter Court Business lends to prime residential and buy-to-let customers, with low loan-to-value ratios, who require additional capital and who wish to secure a loan from the Charter Court Business with a charge against a property which is already charged to another lender.

2.3 Funding

The OSB Business is predominantly funded by retail savings originated through the long-established Kent Reliance name, building upon over one hundred and fifty (150) years of heritage in savings. It delivers a variety of fixed, notice, easy access and regular savings products, including Individual Savings Accounts (ISAs), to customers and includes online and postal channels, as well as a network of branches and third-party-operated agencies in the South East of England. The Charter Court Business is predominantly funded by retail savings originated through the Charter Savings Bank brand, which includes online and postal channels. These provide a stable funding platform for the OSB Group to grow its loan book.

Diversification of funding is currently provided by access to securitisation programmes and the Bank of England's Indexed Long-Term Repo operations and TFS, which closed for future funding on 28 February 2018 but provides for phased repayments until final maturity in 2022. Additionally, as part of its COVID-19-related measures, in March 2020 the Bank of England introduced a new term funding scheme which will, over a twelve (12) month period, offer four-year funding of at least 10% of participants' stock of real economy lending at interest rates at (or very close to) the Bank of England's base rate (which is currently 0.1%), and provide additional funding for those banks that increase lending to SMEs. The scheme opened on 15 April 2020, and OSB is currently participating in the scheme.

The OSB Group monitors the wholesale funding markets for opportunities to access the securitisation markets and is fully prepared to access such markets as and if they consider it appropriate in light of market conditions and other relevant circumstances. The OSB Group is fully prepared to execute securitisation transactions, including funding transactions and/or transactions which would result in the full de-recognition of the underlying mortgage assets, through the sale of residual positions in future securitisation vehicles. De-recognition of the underlying mortgage assets and associated risk-weighted assets could provide capital resources to support lending growth and may result in a gain (or loss) on sale.

2.4 Operating model

To: (i) deliver distribution, sales and risk processes under a coordinated structure; (ii) leverage the OSB Group's unique and cost efficient operating model including OSB India; and (iii) maintain an efficient, scalable and resilient infrastructure. OSB India undertakes a range of primary processing services at a significantly lower cost than an equivalent UK-based operation, whilst delivering consistently high quality service levels and additionally supports IT, compliance, risk, finance and human resources.

Further information on the OSB Group's business model is set out in the OSB 2019 Annual Report and Accounts under the heading "Our business model" on pages 10 and 11, which is incorporated by reference into this Prospectus as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus.

3. MARKET OVERVIEW

An overview of the market in which the OSB Group operates is set out in the OSB 2019 Annual Report and Accounts under the heading "Market Review" on pages 14 - 17, which are incorporated by reference into this Prospectus as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus.

4. DIVIDEND POLICY

The Company has not traded since its incorporation and so has not declared, made nor paid any dividend, other distribution or other return of capital since its incorporation.

Subject to the following paragraphs, following implementation of the Scheme, and subject to the approval of the Board, the Company intends to adopt an equivalent dividend policy to the current OSB dividend policy. OSB's current dividend policy is to pay out at least twenty-five per cent. (25%) of underlying profit after taxation attributable to ordinary shareholders.

On 3 April 2020, the board of OSB announced that:

- in order to help the OSB Group serve the needs of businesses and households through the extraordinary challenges presented by the COVID-19 pandemic, it had decided to cancel the payment of the final dividend in respect of the year ended 31 December 2019; and
- it will continue to assess the appropriateness of dividend payments and decide on any dividend policy and amounts at the year-end 2020.

Whilst the Company will have no distributable profits or reserves immediately upon the Scheme becoming effective, the Company is currently considering the most appropriate means by which it might generate distributable profits or reserves. This may be through the receipt of dividends and other distributions from its operating subsidiaries and companies in which it has invested or through other corporate actions, including actions in relation to the nominal value of its issued share capital and to other share capital accounts on its balance sheet, in each case which would have the effect of creating distributable reserves.

PART VIII

DIRECTORS, SENIOR MANAGERS, CORPORATE GOVERNANCE AND REMUNERATION

1. DIRECTORS

The Directors and their principal functions within the OSB Group, together with a brief description of their management experience and expertise and principal business activities outside the OSB Group, are set out below. The business address of each of the Directors (in such capacity) is OSB House, Quayside, Chatham Maritime, Kent ME4 4QZ.

Position	Name
Non-Executive Chairman	David Weymouth
Chief Executive Officer	Andy Golding
Chief Financial Officer	April Talintyre
Senior Independent Director	Noël Harwerth
Independent Non-Executive Director	Graham Allatt
Independent Non-Executive Director	Sarah Hedger
Independent Non-Executive Director	Rajan Kapoor
Independent Non-Executive Director	Mary McNamara

David Weymouth, Chairman

David Weymouth was appointed to the OSB Board as Chairman in September 2017. He served briefly as Deputy Chairman from 4 October 2019 to 4 February 2020, before being reappointed as Chairman of OSB on that date. David chairs the Group Nomination and Governance Committee and the Board Integration Committee. He is also a member of the Group Remuneration Committee.

David has over forty (40) years of experience in the financial services industry and has a degree in modern languages from University College London and an MBA from the University of Exeter.

David was previously Chief Information Officer at Barclays PLC and Chief Risk Officer at RSA Insurance Group plc. He sat on the Executive Committee of both companies. His experience as an executive includes a wide range of senior roles in operations, technology, risk and leadership. David is also Chairman of Mizuho International plc and his other current non-executive directorships include Fidelity International Holdings (UK) Limited and The Royal London Mutual Insurance Society Limited. He also served as a non-executive director on the board of Bank of Ireland (UK) plc.

Andy Golding, Chief Executive Officer

Andy Golding was appointed to the OSB Board in December 2011. He is a member of the Board Integration Committee.

Andy has over thirty (30) years of experience in financial services.

Prior to joining OSB, Andy was the Chief Executive of Saffron Building Society, where he had been since 2004. Prior to that, he held senior positions at National Westminster Bank plc, John Charcol Limited and Bradford & Bingley plc. Andy served as a non-executive director of Kreditech Holding SSL GmbH and Northamptonshire Healthcare NHS Foundation Trust. Andy is a director of the Building Societies Trust Limited. He was a member of the FCA's Smaller Business Practitioner Panel until October 2019.

April Talintyre, Chief Financial Officer

April Talintyre joined OSB in May 2012 and was appointed to the OSB Board in June 2012. She currently serves as Chief Financial Officer and is a member of the Group Models and Ratings Committee.

April has been a member of the Institute of Chartered Accountants in England and Wales since 1992.

April was previously an executive director in the Rothesay Life pensions insurance business of Goldman Sachs Group and worked for Goldman Sachs International for over sixteen (16) years, including as an executive director in the Controllers Division in London and New York. She began her career at KPMG LLP in a general audit department.

Noël Harwerth, *Senior Independent Director*

Noël Harwerth was appointed to the OSB Board on 4 October 2019, having served on the board of Charter Court Group since June 2017. Noël is a member of the Group Audit Committee, Group Nomination and Governance Committee, Group Remuneration Committee and Group Risk Committee.

Noël has extensive experience in both the public sector with government bodies and the private sector with global banking companies, which brings valuable insight to the boardroom debate. Noël is a non-executive director of Scotiabank Europe plc. She is a former non-executive director of Sirius Minerals plc, Standard Life Aberdeen plc and RSA Insurance Group plc, prior to which she held a variety of senior roles with Citicorp for fifteen (15) years, latterly serving as the Chief Operating Officer of Citibank International plc. Noël has held non-executive roles with GE Capital Bank Limited, Sumitomo Mitsui Banking Corporation Europe Limited, Avocet Mining plc, Alent plc, Corus Group plc, Logica plc, The London Metal Exchange and Standard Life Assurance Limited.

Graham Allatt, *Independent Non-Executive Director*

Graham Allatt was appointed to the OSB Board in May 2014. He is Chair of the Group Risk Committee and the Group Models and Ratings Committee. He is also a member of the Group Audit Committee.

Graham has significant experience in banking, credit risk and financial services.

Graham was previously Acting Group Credit Director at Lloyds TSB plc and Chief Credit Officer at Abbey National plc. Prior to this, he spent eighteen (18) years with the National Westminster Bank plc culminating in the role of Managing Director, Credit Risk at NatWest Markets plc. A Fellow of the Institute of Chartered Accountants, Graham was involved with housing associations for nearly thirty (30) years as treasurer and board member in the North of England and in London.

Sarah Hedger, *Independent Non-Executive Director*

Sarah Hedger was appointed to the OSB Board in February 2019. She is a member of the Group Audit Committee, Group Remuneration Committee and the Board Integration Committee.

Sarah has significant experience of capital management and mergers and acquisitions in financial services. She is a qualified chartered accountant.

Sarah previously held leadership positions at General Electric Company for twelve (12) years to March 2017 in its Corporate, Aviation and Capital business development teams, leaving General Electric Company as Leader of Business Development and M&A for its global GE Capital division. These roles involved the full transaction process from identifying targets, through to deal execution, closing and the planning and implementation of integration into, and separation from, General Electric Company to ensure deal goals were achieved. Before General Electric Company, Sarah worked at Lazard & Co., Limited for eleven (11) years, leaving as Director, Corporate Finance and spent five (5) years as an auditor at PricewaterhouseCoopers LLP. She is an independent non-executive director of Balta Group NV, a Belgian company listed on Euronext.

Rajan Kapoor, *Independent Non-Executive Director*

Rajan Kapoor was appointed to the OSB Board in October 2019, having served on the board of the Charter Court Group since September 2016. He is Chair of the Group Audit Committee and a member of the Group Risk Committee, Group Models and Ratings Committee, Group Remuneration Committee and Board Integration Committee.

Rajan was Financial Controller of the Royal Bank of Scotland Group plc and held a number of senior finance positions in a twenty-eight (28) year career with the Royal Bank of Scotland Group plc. He has wide-ranging experience of all aspects of banking, including external reporting, financial planning and analysis, asset and liability management, taxation and stress testing. Rajan also has extensive

experience of financial and regulatory reporting in the UK and US with a strong background in internal financial controls, governance and compliance. He is a Fellow of the Institute of Chartered Accountants and of the Chartered Institute of Bankers in Scotland.

Mary McNamara, Independent Non-Executive Director

Mary McNamara was appointed to the OSB Board in May 2014. She is Chair of the Group Remuneration Committee and a member of the Group Nomination and Governance Committee.

Mary is Chair of the Remuneration Committee and senior independent director at Motorpoint Group plc. She ceased to be a non-executive director of Dignity plc and Chair of its Remuneration Committee in December 2019. Mary also served as CEO of the Commercial Division and a director of the Banking Division at Close Brothers Group plc. Prior to that, Mary was interim Chief Operating Officer of Skandia, the European arm of Old Mutual Group and, prior to that, she spent seventeen (17) years at GE Capital, running a number of businesses including GE Fleet Services Europe and GE Equipment Finance.

2. SENIOR MANAGERS

In addition to the Directors, the current members of the senior executive team with responsibility for day-to-day management of the Company’s business are set out below. The business address of each of the Senior Managers (in such capacity) is OSB House, Quayside, Chatham Maritime, Kent ME4 4QZ.

Position	Name
Group Commercial Director	Jens Bech
Group Managing Director, Mortgages	Alan Cleary
Chief Information Officer	Richard Davis
Chief Risk Officer, CCFS	Peter Elcock
Chief Risk Officer, OSB	Hasan Kazmi
Group General Counsel and Company Secretary	Jason Elphick
Group Chief Information Officer	John Gaunt
Group Chief Operating Officer	Clive Kornitzer
Group Chief Internal Auditor	Lisa Odendaal
Group Managing Director, Savings	Paul Whitlock
Group Chief Credit Officer	Richard Wilson

Jens Bech, Group Commercial Director

Jens Bech joined OSB as Chief Risk Officer in 2012, before becoming Group Commercial Director in 2014.

Jens joined from the Asset Protection Agency, an executive arm of HM Treasury, where he held the position of Chief Risk Officer. Prior to joining the Asset Protection Agency, he spent nearly a decade at management consultancy Oliver Wyman Limited where he advised a global portfolio of financial services firms and supervisors on strategy and risk management. Jens led Oliver Wyman Limited’s support of Iceland during the financial crisis.

Alan Cleary, Group Managing Director, Mortgages

Alan Cleary joined OSB in October 2019, following the Charter Court Combination.

Alan was the Managing Director at Precise Mortgages, as well as being a co-founder of that business and is responsible for Group mortgage product development, marketing, and mortgage originations.

Alan has worked in the mortgage industry for over twenty-five (25) years. He was Head of Sales at BM Solutions from inception in 2001 to 2005 when he became Director of Halifax Intermediaries, the largest intermediary mortgage brand in the UK at the time.

Richard Davis, Chief Information Officer

Richard Davis joined OSB in 2013. Richard has worked in financial services for twenty (20) years, rising to Chief Information Officer at GE Money UK in 2004.

Richard subsequently helped launch MoneyPartners Limited (an Investec Bank plc subsidiary), as IT Director, through to the eventual sale to Goldman Sachs Group. Prior to joining the OSB, he worked for four (4) years at Morgan Stanley Group covering IT, Projects and Transaction Management for the European residential business as an interim director.

Peter Elcock, *Chief Risk Officer, CCFS*

Peter Elcock joined OSB in October 2019, following the Charter Court Combination.

Peter is responsible for the CCFS Risk and Compliance teams. He has over thirty-nine (39) years of experience in financial services, having held a number of senior positions in financial institutions, including twenty-seven (27) years at Barclays PLC in a variety of roles and most latterly at director level leading risk management strategy and change. He was previously the Chief Risk Officer at Coventry Building Society.

Hasan Kazmi, *Chief Risk Officer, OSB*

Hasan Kazmi joined OSB in September 2015 as Chief Risk Officer.

Hasan has over nineteen (19) years of risk experience having worked at several financial institutions, including Barclays Capital, Royal Bank of Canada and Standard Chartered Bank. Prior to joining OSB, he was a senior director at Deloitte LLP within the Risk and Regulatory practice with responsibility for leading the firm's enterprise risk, capital, liquidity, recovery and resolution practice. Hasan graduated from the London School of Economics with an MSc in Systems Design and Analysis and a BSc in Management.

Jason Elphick, *Group General Counsel and Company Secretary*

Jason Elphick joined OSB in June 2016. He has over twenty (20) years of legal private practice and in-house financial services experience.

Jason's private practice experience was primarily in Australia with King & Wood Mallesons and in New York with Sidley Austin LLP and he has been admitted to practice in Australia, New York and England and Wales.

Jason's in-house financial services experience was most recently as director and Head of Bank Legal at Santander Group in London. Prior to this he held various roles at National Australia Bank Limited, including General Counsel Capital and Funding, Head of Governance, Company Secretary and General Counsel Product, Regulation and Resolution.

John Gaunt, *Group Chief Information Officer*

John Gaunt joined OSB in October 2019, following the Charter Court Combination.

John held the position of Director of IT and Change Management at the Charter Court Group having joined that company in December 2010 and had responsibility for the operational and tactical delivery of all business matters relating to information technology, information security and change management.

With over nineteen (19) years' experience in information technology, information security and change management within the financial services sector, John has held a number of senior IT roles within Nationwide Building Society and Derbyshire Building Society.

Clive Kornitzer, *Group Chief Operating Officer*

Clive Kornitzer joined OSB in 2013. Clive has over twenty-five (25) years of financial services experience, having worked at several financial organisations including Yorkshire Building Society, John Charcol Limited and Bradford & Bingley plc.

Prior to joining OSB, Clive spent six (6) years at Santander Group where he was the Chief Operating Officer for the intermediary mortgage business. He has also held positions at the European Financial Management Association and has been the Chair of the FS Forums Retail Banking Sub-Committee. Clive is a Fellow of the Chartered Institute of Bankers.

Lisa Odendaal, Group Chief Internal Auditor

Lisa Odendaal joined OSB in April 2016. Prior to joining OSB, she worked for Grant Thornton UK LLP where she was an Associate Director responsible for leading several outsourced audit functions within its Business Risk Services division.

Lisa is a qualified internal auditor and has over twenty five (25) years of internal audit and operational experience gained in the UK, UAE and Switzerland, having worked at several financial institutions, including PwC, Morgan Stanley Group, HSBC and Man Group plc.

Paul Whitlock, Group Managing Director, Savings

Paul Whitlock joined OSB in October 2019, following the Charter Court Combination.

Paul was an Executive of Charter Savings Bank. Paul brings specialist knowledge of the savings market and is responsible for all aspects of OSB's saving strategy, products, propositions, sales, distribution and operations.

With over twenty (20) years of UK and international experience in the retail banking industry, including senior positions at First Direct, HSBC and Shawbrook Bank Limited. Paul has extensive experience delivering banking products to the consumer market.

Richard Wilson, Group Chief Credit Officer

Richard Wilson joined OSB in 2013.

Prior to joining OSB, Richard was head of the credit function for Morgan Stanley Group's UK origination business and subsequently looked after credit and collections strategy within its UK, Russian and Italian businesses. Between 1988 and 2006, Richard held various roles at Yorkshire Building Society, including the position of Mortgage Application Centre Manager.

3. THE BOARD AND CORPORATE GOVERNANCE

The Company recognises the importance of, and is committed to, high standards of corporate governance. Throughout the year ended 31 December 2019, OSB applied the main principles and complied with the relevant provisions set out in the UK Corporate Governance Code. OSB's compliance with the UK Corporate Governance Code is described in the OSB 2019 Annual Report and Accounts, the OSB 2018 Annual Report and Accounts and the OSB 2017 Annual Report and Accounts, which are incorporated by reference into this Prospectus as set out in Part XV (*Documents Incorporated by Reference*). The Company intends to adopt the same approach as OSB to applying the main principles and complying with the relevant provisions of the UK Corporate Governance Code.

3.1 Compliance with corporate governance requirements

(A) *Compliance with UK Corporate Governance Code*

The updated UK Corporate Governance Code 2018 will apply to the Company with effect from Admission. In anticipation of this, the Company has adopted a number of measures with regard to its governance arrangements in order to be in a position to comply with the code's principles and provisions on Admission.

(B) *Board and Committee independence*

The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company (excluding the chair) should comprise 'independent' non-executive directors, being individuals determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement. It also recommends that a UK listed company should establish remuneration and audit committees of independent non-executive directors, each comprising at least three members, as well as a nomination committee, the majority of members of which should be independent non-executive directors.

From Admission, the Board will comprise eight (8) members: the Chairman, two (2) executive Directors and five (5) non-executive Directors. The Board considers David

Weymouth, Noël Harwerth, Graham Allatt, Sarah Hedger, Rajan Kapoor and Mary McNamara to be independent for the purposes of the UK Corporate Governance Code. The Board therefore considers that the Company complies with the relevant requirements of the UK Corporate Governance Code in relation to the balance of executive and independent non-executive Directors on the Board and with the requirements for the composition of the Company's Audit Committee, Remuneration Committee and Nomination Committee.

(C) *Senior Independent Non-Executive Director*

The UK Corporate Governance Code also recommends that the board of directors of a UK listed company should appoint one of its independent non-executive directors to be the senior independent non-executive director. The senior independent non-executive director should provide a sounding board for the Chair and serve as an intermediary for the other directors and shareholders. He or she should be available to shareholders if they have concerns that the normal channels of Chair, Chief Executive Officer or other executive directors have failed to resolve or for which such channel of communication is inappropriate. Noël Harwerth has been appointed as the Company's Senior Independent Non-Executive Director.

(D) *Re-election*

The UK Corporate Governance Code recommends that all directors of UK listed companies should be subject to annual re-election. The Directors intend to follow the UK Corporate Governance Code by submitting to election annually at the Company's annual general meeting.

3.2 **Board Committees**

The Board has established a number of committees, whose terms of reference are documented formally and updated as necessary. If the need should arise, the Board may set up additional committees as appropriate.

(A) *Group Audit Committee*

Information concerning the Group Audit Committee is set out in the Group Audit Committee Report on pages 112 to 117 of the OSB 2019 Annual Report and Accounts (which is incorporated into this Part VIII (*Directors, Senior Managers, Corporate Governance and Remuneration*) as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus).

(B) *Group Risk Committee*

Information concerning the Group Risk Committee is set out in the Group Risk Committee Report on pages 118 to 120 of the OSB 2019 Annual Report and Accounts (which is incorporated into this Part VIII (*Directors, Senior Managers, Corporate Governance and Remuneration*) as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus).

(C) *Group Remuneration Committee*

Information concerning the Group Remuneration Committee is set out in the 2019 Annual Report on Remuneration on pages 122 to 144 of the OSB 2019 Annual Report and Accounts (which is incorporated into this Part VIII (*Directors, Senior Managers, Corporate Governance and Remuneration*) as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus).

(D) *Group Nomination and Governance Committee*

Information concerning the Group Nomination and Governance Committee is set out in the Group Nomination and Governance Committee Report on pages 109 to 111 of the OSB 2019 Annual Report and Accounts (which is incorporated into this Part VIII (*Directors,*

Senior Managers, Corporate Governance and Remuneration) as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus).

4. REMUNERATION AND PENSION BENEFITS

Details regarding remuneration of Directors are set out in section 8.6 of Part XIV (*Additional Information*) of this Prospectus.

PART IX

HISTORICAL FINANCIAL INFORMATION

The OSB Group Financial Information

The audited consolidated financial statements for the OSB Group for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019, prepared in accordance with IFRS, together with the audit reports and notes in respect of each such year, as set out in the OSB 2017 Annual Report and Accounts, the OSB 2018 Annual Report and Accounts and the OSB 2019 Annual Report and Accounts, respectively, are incorporated by reference into this Part IX (*Historical Financial Information*), as described in Part XV (*Documents Incorporated by Reference*) of this Prospectus.

The consolidated financial statements contained in the OSB 2017 Annual Report and Accounts and the OSB 2018 Annual Report and Accounts were audited by KPMG LLP and the audit report for each such financial year was unqualified. KPMG LLP is a firm of chartered accountants registered with the Institute of Chartered Accountants in England and Wales and has no material interest in the Company or the OSB Group.

The consolidated financial statements contained in the OSB 2019 Annual Report and Accounts were audited by Deloitte LLP and the audit report for each such financial year was unqualified. Deloitte LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales and has no material interest in the Company or the OSB Group.

The interim results of the OSB Group for the six months ended 30 June 2020, prepared on a basis consistent with its latest audited consolidated financial statements, as set out in the OSB 2020 Interim Results, are also incorporated by reference into this Part IX (*Historical Financial Information*), as described in Part XV (*Documents Incorporated by Reference*) of this Prospectus. The interim results contained in the OSB 2020 Interim Results have not been audited.

The Charter Court Group Financial Information

The audited consolidated financial statements for the Charter Court Group for the financial years ended 31 December 2017 and 31 December 2018, prepared in accordance with IFRS, together with the audit reports and notes in respect of each such year, as set out in the CCFS 2017 Annual Report and Accounts and the CCFS 2018 Annual Report and Accounts, respectively, are incorporated by reference into this Part IX (*Historical Financial Information*), as described in Part XV (*Documents Incorporated by Reference*) of this Prospectus.

Each of the consolidated financial statements was audited by Deloitte LLP and the audit report for each such financial year was unqualified. Deloitte LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales and has no material interest in the Group.

The interim results of the Charter Court Group for the six months ended 30 June 2019, prepared on a basis consistent with its latest audited consolidated financial statements, as set out in the CCFS 2019 Interim Results, are incorporated by reference into this Part IX (*Historical Financial Information*), as described in Part XV (*Documents Incorporated by Reference*) of this Prospectus.

PART X

OPERATING AND FINANCIAL REVIEW

The following discussion of the OSB Group's financial condition and results of operations should be read in conjunction with the financial information on the OSB Group and the notes related thereto set out in Part IX (Historical Financial Information). The financial information included in this Part X (Operating and Financial Review) has been extracted without material adjustment from the financial information referred to in Part IX (Historical Financial Information) which has been incorporated into this Prospectus by reference. The financial information referred to in this Part X (Operating and Financial Review) has been prepared in accordance with IFRS.

The following discussion of the OSB Group's results of operations and financial condition contains forward looking statements. The OSB Group's actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly in the Parts headed 'Risk Factors' and 'Forward Looking Statements'.

The tables below set out the sections of the OSB 2020 Interim Results, the OSB 2019 Annual Report and Accounts, the OSB 2018 Annual Report and Accounts and the OSB 2017 Annual Report and Accounts which contain information in respect of the OSB Group's operating and financial review and which are incorporated by reference into, and form part of, this Prospectus. The parts of these documents which are not incorporated by reference are either not relevant for recipients of this Prospectus or are covered elsewhere in this Prospectus. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Prospectus. In the event of any inconsistencies between any information incorporated by reference, and the information contained in this Prospectus, the information contained in this Prospectus will take precedence and supersede any information incorporated by reference into this Prospectus.

OSB Group operating and financial review for the six months ended 30 June 2020

Reference document	Information incorporated by reference into this Prospectus	Page number in reference document	
OSB 2020 Interim Results	All text and tables under the heading "Financial Highlights"	1-2	
	All text and tables under the heading "Key Performance Indicators"	5-6	
	All text and tables under the heading "Chief Executive Report"	7-10	
	All text and tables under the heading "Financial Review"	11-18	
	All text and tables under the heading "Condensed Consolidated Statement of Cash Flows"	46	
	All text and tables under the heading "Notes to the Condensed Consolidated Financial Statements"	47-90	

OSB Group operating and financial review for the year ended 31 December 2019

Reference document	Information incorporated by reference into this Prospectus	Page number in reference document
OSB 2019 Annual Report and Accounts	All text and tables under the heading “ <i>Operating review</i> ”	32-43
	All text and tables under the heading “ <i>Key performance indicators</i> ”	44-45
	All text and tables under the heading “ <i>Financial review</i> ”	46-51
	All text and tables under the heading “ <i>Risk review</i> ”	52-57
	All text and tables under the heading “ <i>Principal risks and uncertainties</i> ”	58-72
	All text and tables under the heading “ <i>Notes to the Financial Statements</i> ”	166-259

OSB Group operating and financial review for the year ended 31 December 2018

Reference document	Information incorporated by reference into this Prospectus	Page number in reference document
OSB 2018 Annual Report and Accounts	All text and tables under the heading “ <i>Operating and financial review</i> ”	24-29
	All text and tables under the heading “ <i>Key performance indicators</i> ”	30-31
	All text and tables under the heading “ <i>Financial review</i> ”	32-35
	All text and tables under the heading “ <i>Risk review</i> ”	36-40
	All text and tables under the heading “ <i>Principal risks and uncertainties</i> ”	41-49
	All text and tables under the heading “ <i>Notes to the Financial Statements</i> ”	122-182

OSB Group operating and financial review for the year ended 31 December 2017

Reference document	Information incorporated by reference into this Prospectus	Page number in reference document
OSB 2017 Annual Report and Accounts	All text and tables under the heading “ <i>Operating and financial review</i> ”	20-25
	All text and tables under the heading “ <i>Key performance indicators</i> ”	26-27
	All text and tables under the heading “ <i>Financial review</i> ”	28-31
	All text and tables under the heading “ <i>Risk review</i> ”	32-38
	All text and tables under the heading “ <i>Principal risks and uncertainties</i> ”	39-48
	All text and tables under the heading “ <i>Notes to the Financial Statements</i> ”	112-177

Charter Court Group operating and financial review for the six months ended 30 June 2019

Reference document	Information incorporated by reference into this Prospectus	Page number in reference document
CCFS 2019 Interim Results	All text and tables under the heading " <i>Chief Executive Officer's review</i> "	6-7
	All text and tables under the heading " <i>Financial Review</i> "	8-10
	All text and tables under the heading " <i>Business review by segment</i> "	11-16
	All text and tables under the heading " <i>Risk management</i> "	17-33
	All text and tables under the heading " <i>Condensed consolidated statement of comprehensive income</i> "	37
	All text and tables under the heading " <i>Condensed consolidated statement of financial position</i> "	38
	All text and tables under the heading " <i>Condensed consolidated statement of changes in equity</i> "	39
	All text and tables under the heading " <i>Condensed consolidated statement of cash flows</i> "	40
	All text and tables under the heading " <i>Notes to the Condensed consolidated financial statements</i> "	41-67

Charter Court Group operating and financial review for the year ended 31 December 2018

Reference document	Information incorporated by reference into this Prospectus	Page number in reference document
CCFS 2018 Annual Report and Accounts	All text and tables under the heading " <i>Business overview</i> "	2-5
	All text and tables under the heading " <i>Chief Financial Officer's review</i> "	15-17
	All text and tables under the heading " <i>Business review by segment</i> "	19-26
	All text and tables under the heading " <i>Risk management</i> "	27-44
	All text and tables under the heading " <i>Consolidated financial statements</i> "	117-120
	All text and tables under the heading " <i>Notes to the consolidated financial statements</i> "	121-156

Charter Court Group operating and financial review for the year ended 31 December 2017

Reference document	Information incorporated by reference into this Prospectus	Page number in reference document
CCFS 2017 Annual Report and Accounts	All text and tables under the heading " <i>Business overview</i> "	1-5
	All text and tables under the heading " <i>Chief Financial Officer's review</i> "	14-15
	All text and tables under the heading " <i>Business review by segment</i> "	16-23
	All text and tables under the heading " <i>Risk management</i> "	24-34
	All text and tables under the heading " <i>Consolidated financial statements</i> "	99-102
	All text and tables under the heading " <i>Notes to the consolidated financial statements</i> "	103-14

PART XI

CAPITALISATION AND INDEBTEDNESS

The tables below set out the OSB Group's capitalisation, indebtedness and its indirect and contingent indebtedness as at 31 August 2020. The OSB Group's statements of indebtedness and indirect and contingent indebtedness have been prepared under IFRS using policies which are consistent with those used in preparing the OSB Group's audited financial information for the year ended 31 December 2019.

1. CAPITALISATION

The table below sets out the OSB Group's capitalisation as at 31 August 2020. The information contained in the table has been extracted without material adjustment from the OSB Group's accounting books and records. There has been no material change in the capitalisation of the OSB Group since 31 August 2020.

Shareholders' equity	£m
Share capital	4.5
Share premium	864.3
Other reserves ⁽¹⁾	55.7
Total Capitalisation⁽²⁾	924.5

(1) Other reserves include £60m of Additional Tier 1 securities classified as equity.

(2) Total capitalisation does not include the retained earnings reserve.

2. INDEBTEDNESS

The table below sets out the OSB Group's indebtedness as at 31 August 2020. The information contained in the table has been extracted without material adjustment from the OSB Group's accounting books and records. There has been no material change in the indebtedness of the OSB Group since 31 August 2020.

Indebtedness	£m
Subordinated liabilities	10.3
Perpetual subordinated liabilities	37.5
Total Indebtedness	47.8

3. INDIRECT AND CONTINGENT INDEBTEDNESS

The table below sets out the OSB Group's unaudited indirect and contingent indebtedness as at 31 August 2020.

Indirect and Contingent Indebtedness

Assets pledged as collateral for amounts due to Credit Institutions and other customers	6,087.8
Other encumbered assets ⁽¹⁾	64.9
Other contingent liabilities ⁽²⁾	—
Total Indirect and Contingent Indebtedness	6,152.7

(1) Represents assets that are not pledged but that the Group believes it is restricted from using to secure funding for legal or other reasons.

(2) In January 2020 the Group was contacted by the FCA in connection with a multi-firm thematic review into forbearance measures adopted by lenders in respect of a portion of the mortgage market. The Group is responding to information requests from the FCA. It is not possible to reliably predict or estimate the outcome of the review, if any, on the Group.

PART XII

SUPERVISION AND REGULATION

OSB and CCFSL are UK banks, which are authorised by the PRA and regulated by the PRA and the FCA (referred to as PRA-authorised or dual-regulated firms). PFL and CML are UK mortgage lenders and are authorised and regulated by the FCA (referred to as FCA-authorised or solo-regulated firms).

1. UK REGULATION

1.1 *Financial Services and Markets Act 2000*

The most important piece of financial services legislation in the UK is FSMA. FSMA prohibits any person from carrying on a “regulated activity” by way of business in the UK unless that person is authorised or exempt. Regulated activities include deposit-taking, effecting and carrying out contracts of insurance, as well as certain insurance mediation activities, consumer credit activities and investment activities (such as dealing in investments as principal or as agent, advising on or managing investments, and entering into regulated mortgage contracts as a lender). FSMA also prohibits a person from making financial promotions in the UK, unless the financial promotion is issued or approved by an authorised firm or is exempt from the prohibition.

Under the Financial Services Act 2012, a range of structural reforms to UK financial regulatory bodies were implemented, with the Financial Services Authority being replaced from 1 April 2013 by the PRA, the FCA and the FPC.

1.2 *Key regulatory bodies*

(A) *The Prudential Regulation Authority*

The PRA is responsible for the prudential regulation and supervision of approximately 1,500 banks (including OSB and CCFSL), building societies, credit unions, insurers and certain major investment firms. The PRA is a part of the Bank of England and its functions are exercised through the Bank of England’s Prudential Regulation Committee.

In discharging its functions, the PRA’s general objective is promoting the safety and soundness of PRA-authorised firms, and its insurance objective is to contribute to securing an appropriate degree of protection for policyholders. The PRA is required to advance its general objective primarily by seeking to:

- (a) ensure that the business of PRA-authorised firms is carried on in a way which avoids any adverse effect on the stability of the UK financial system; and
- (b) minimise the adverse effect that the failure of a PRA-authorised firm could be expected to have on the stability of the UK financial system.

When discharging its general functions in a way that advances these objectives, the PRA must, so far as is reasonably possible, act in a way which, as a secondary objective, facilitates effective competition in the markets for services provided by PRA-authorised firms in carrying on regulated activities.

From 1 January 2019, the Financial Services (Banking Reform) Act 2013 introduced additional requirements on how the PRA is to advance its general objective in relation to certain matters related to ring-fenced bodies.

In June 2019 the PRA published the overall findings of its review into certain FGFs including OSB and CCFSL. Amongst other things the findings: (i) highlighted the need for FGFs to strengthen stress analysis and stress management capabilities; (ii) recognised deficiencies in certain FGFs’ stress modelling and growth assumptions; (iii) highlighted a lack of diversity in funding sources for a number of FGFs; (iv) drew attention to the execution and refinancing risks arising out of many FGFs’ balance sheet growth targets requiring maximisation of funding from all available funding sources; and (v) found that certain FGFs demonstrated weaknesses in credit expertise and control (with respect to risk appetite, collections, and underwriting).

(B) *The Financial Conduct Authority*

The FCA has responsibility for the conduct of business and market regulation in relation to all authorised firms and for the prudential regulation of firms not authorised by the PRA (such as PFL and CML). The FCA also exercises certain market regulatory functions.

Under the FSMA, in discharging its general functions, the FCA must, so far as is reasonable possible, act in a way which is compatible with its strategic objective of ensuring that markets for financial services in the UK function well, and advances one or more of its operational objectives:

- (a) securing an appropriate degree of protection for consumers (the consumer protection objective);
- (b) protecting and enhancing the integrity of the UK financial system (the integrity objective); and
- (c) promoting effective competition in the interests of consumers in financial markets (the competition objective).

Separately, so far as is compatible with acting in a way which advances the consumer protection objective or the integrity objective, the FCA must discharge its general functions in a way which promotes effective competition in the interests of consumers.

The FCA also has competition powers under the Enterprise Act 2002 and the Competition Act 1998 relating to the financial services sector that are concurrent with those of the CMA.

(C) *The Financial Policy Committee*

The FPC is a part of the Bank of England and has the primary objective of identifying, monitoring, and taking action to remove or reduce systemic risks, with a view to protecting and enhancing the resilience of the UK financial system. It has a secondary objective to support the economic policy of the UK Government, including its objectives for growth and employment. The FPC's activities are relevant to the Group.

(D) *Resolution Authority*

The Bank of England acts as the UK's resolution authority for banks, building societies and certain investment firms and is therefore responsible for taking action to ensure the continuity of essential services of such financial institutions in circumstances where such financial institutions have encountered, or are likely to encounter, financial difficulties and to manage the failure of such financial institutions in an orderly way. The Bank of England has numerous resolution tools, including (by way of non-exhaustive example, and subject to conditions and qualifications): the power to direct the sale of the relevant financial institution or the whole or part of its business; the power to transfer all or part of the business of the relevant financial institution to a "bridge institution"; the power to separate assets by transferring certain assets to a separate vehicle; and a debt write down (or bail-in) tool.

(E) *PRA Rulebook, FCA Handbook and guidance*

Detailed rules and standards set by the PRA and the FCA are contained in the PRA Rulebook and the FCA Handbook respectively, and are supplemented by additional guidance materials.

In particular, authorised firms are obliged to comply with the FCA's Principles for Businesses, and, if they are PRA-authorised firms, the PRA's Fundamental Rules, which include requirements to:

- (a) conduct business with integrity and due skill, care and diligence;
- (b) maintain adequate financial resources;
- (c) treat customers fairly;

- (d) communicate with clients in a manner that is clear, fair and not misleading; and
- (e) communicate with regulators in an open and cooperative way, disclosing to the PRA and FCA appropriately anything relating to the firm of which they would reasonably expect notice.

Other sections of the FCA Handbook and PRA Rulebook which are particularly relevant to the Group are the Senior Management Arrangements, Systems and Controls sourcebook, the Banking: Conduct of Business sourcebook, the Supervision sourcebook, the Dispute Resolution: Complaints sourcebook, the Mortgages and Home Finance: Conduct of Business sourcebook and those provisions which deal with prudential requirements.

(F) *The Competition Markets Authority*

The CMA is an independent non-ministerial department, responsible for matters such as: (i) investigating mergers which could restrict competition; (ii) conducting market studies and investigations in markets where there may be competition and consumer problems; and (iii) investigating possible breaches of UK/EU prohibitions against anti-competitive agreements and abuses of dominant positions.

1.3 **Threshold conditions**

Authorised firms must at all times meet certain “threshold conditions” specified in Schedule 6 of the FSMA. Dual-regulated firms must meet both the PRA-specific and FCA-specific threshold conditions for PRA-authorized firms.

The PRA-specific threshold conditions for PRA-authorized banks other than insurers, in summary, require that:

- (a) the bank is either a body corporate or a partnership;
- (b) if the bank is incorporated in the UK, its head office is in the UK and, if it has a registered office, that office is in the UK;
- (c) the business of the bank is conducted in a prudent manner and, in particular, the bank must have appropriate financial and non-financial resources;
- (d) the bank is a fit and proper person, having regard to the PRA’s objectives; and
- (e) the bank is capable of being effectively supervised by the PRA.

The FCA-specific threshold conditions for PRA-authorized firms, in summary, require that:

- (a) the firm is capable of being effectively supervised by the FCA;
- (b) the firm maintains appropriate non-financial resources, having regard to the FCA’s operational objectives;
- (c) the firm itself is a fit and proper person, having regard to the FCA’s operational objectives; and
- (d) the firm’s strategy for doing business is suitable for a person carrying on regulated activities that it carries on or seeks to carry on, having regard to the FCA’s operational objectives.

Solo-regulated firms only need to meet the FCA-specific threshold conditions for FCA-authorized firms.

1.4 **Change of control**

Under FSMA, any person (whether acting alone or in concert) who decides to acquire or increase its “control” over a UK authorised person must notify the appropriate regulator (being, for PRA-authorized firms, the PRA, and, otherwise, the FCA). The regulator has up to sixty (60) working days to determine whether to approve the acquisition of, or increase in control over, a UK authorised person (the time limit starts to run from the date the regulator acknowledges receipt

of the complete application). The regulator is permitted to make requests for information during this assessment period. The first such request made, provided it is no later than the fiftieth (50th) working day of the period, will “stop the clock”, from the date of the request until the date the regulator receives the requested information, for up to thirty (30) working days. These timings can have a significant influence on the timing of any corporate M&A transaction involving a target that is a UK authorised person.

The PRA or the FCA (as the case may be) will not approve a person to acquire or increase its control of a UK authorised person without being satisfied that the relevant controller is financially sound and suitable to become a controller of, or increase control over, the UK authorised person.

Acquiring control over a UK authorised person for the purposes of FSMA means a situation whereby a person holds ten per cent. (10%) or more of the shares or voting power in that person or its parent undertaking, or holds shares or voting power in that person or its parent undertaking resulting in the ability to exercise significant influence over the management of that person. A person will be treated as increasing their control over such a person, and will therefore require further approval from the PRA or FCA, if the level of their shareholding or voting power held exceeds certain threshold steps (these occur at twenty per cent. (20%), thirty per cent. (30%) and fifty per cent. (50%) and if the controller becomes a parent undertaking of the UK authorised person). A modified regime with a single twenty per cent. (20%) control threshold for the acquisition or increase in control applies to certain UK authorised persons (such as insurance intermediaries and mortgage intermediaries and certain consumer credit firms, with a single control threshold of thirty-three per cent. (33%) applying to limited permission consumer credit firms).

When determining a person’s level of control, that person’s holding of shares and voting power will be aggregated with the holdings of any person with whom they are “acting in concert”.

An acquisition or increase of control without prior PRA or FCA approval (as applicable) is a criminal offence.

1.5 ***Enforcement***

The PRA and the FCA have the power to take a range of enforcement actions, including the ability to sanction firms and individuals carrying out functions within those firms. Sanctions may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation or variation of a firm’s permission to carry on regulated activities or of an individual’s approval to perform particular roles within a firm. The PRA or FCA can also vary or revoke the permissions of an authorised firm that has not engaged in regulated activities for twelve (12) months or that fails to meet the relevant threshold conditions.

If a financial services firm wishes to challenge any decision of the PRA or the FCA, it would usually make formal representations and/or bring its case before the Upper Tribunal.

1.6 ***Consumer credit regulation***

Responsibility for consumer credit transferred from the OFT to the FCA on 1 April 2014. The framework for consumer credit regulation comprises FSMA and its secondary legislation, retained provisions in the CCA and its retained secondary legislation, and rules and guidance in the FCA Handbook generally. The FCA is also likely to be proactive in pursuing possible regulatory failures and poor practices (for example, by initiating its own investigations where consumer experience suggests that such an investigation is merited). Where consumer detriment is found, the FCA will use its powers of intervention, which might include enforcement action and/or securing redress for consumers.

Serious or systematic failure to adhere to the standards set by the FCA would likely result in it taking enforcement action. The FCA has greater powers of enforcement than the OFT had, including the power to: (i) bring criminal, civil and disciplinary proceedings; (ii) withdraw authorisations; (iii) suspend authorised firms for 12 months; (iv) suspend individuals from performing certain roles for two years; and (v) issue unlimited fines. It is also able to use its product intervention powers in the consumer credit market, which can include restrictions on product features and selling practices or product bans. OSB is currently authorised to

exercise and to have the right to exercise lender's rights and duties under a regulated credit agreement (excluding high-cost, short-term credit, bill of sale agreements, and home collected credit agreements). CML is currently authorised to carry out debt administration and debt-collecting.

In November 2016, the FCA issued a call for input on high-cost credit and on the high-cost short-term credit price cap, publishing its response in July 2017 in a feedback statement, FS 17/2. A further update of FS17/2 was published in January 2018. In response to the findings of FS 17/2, the FCA consulted on new rules for certain areas of high-cost credit market presenting a higher risk of harm to consumers. Some of these consultations have since been closed and final rules published.

- (a) In December 2018, the FCA published a consultation on proposals to reform pricing and charges for overdrafts (CP 18/42, providing feedback to CP 18/13 from May 2018) which contained final rules and guidance aimed at addressing low awareness and engagement in this market. In June 2019, the FCA published a policy statement, PS 19/16, containing final rules and guidance on the simplification of overdraft pricing and the end of higher prices for unarranged overdrafts. The revised guidance on refused payment fees came into effect immediately and the repeat use remedies came into force on 18 December 2019, with the pricing rules coming into force on 6 April 2020.
- (b) In December 2018, the FCA further published a consultation which contained final rules and guidance on home-collected credit and catalogue credit and store cards (CP 18/43, providing feedback to CP 18/12 from May 2018). CP 18/43 also consulted on buy-now-pay-later offers and contained an update on the alternatives to high-cost credit.
- (c) In December 2018, the FCA published guidance on helping tenants find alternatives to high-cost credit and what this means for social housing landlords (FG 18/6).
- (d) In March 2019, the FCA introduced a price cap in the rent-to-own market to protect financially vulnerable consumers to take effect from 1 April 2019 (PS 19/6, providing feedback to CP 18/35 from November 2018).
- (e) In June 2019, the FCA further published a policy statement containing final rules on buy-now-pay-later offers (PS 19/17, providing feedback to CP 18/43), with new disclosure rules and guidance coming into force on 12 September 2019.
- (f) In July 2019, the FCA published a report on alternatives to high-cost credit detailing FCA's actions and recommendations. The report states that consideration of access to alternatives to high-cost credit will become an integral part of the FCA's overall work in the credit sector.
- (g) In October 2019, the FCA published a policy statement on overdraft pricing and competition remedies (PS 19/25, providing feedback to CP 19/18 from June 2019) which provides final rules on overdrafts, complementing the other changes made to overdraft regulation.

While the Group does not undertake any significant high-cost credit activities, the FCA's work in this area may impact on the Group going forwards.

Finally, the FSMA (Regulated Activities) (Amendment) Order 2014 (SI 2014/366), which repealed parts of the CCA, required the FCA to review the retained provisions of the CCA and, in particular, whether repealing the retained provisions would adversely affect the appropriate degree of protection for consumers. The FCA published an interim report on 2 August 2018 in a discussion paper (DP 18/7), and published its final report with recommendations in March 2019. This included proposals to retain certain CCA provisions and replace others with FCA rules (for example, certain provisions relating to information requirements). Having been presented to Parliament, the decision about the future of such CCA provisions now lies with the UK Government.

1.7 **Ring-fencing**

From 1 January 2019, as a result of the Financial Services (Banking Reform) Act 2013 (the “**Banking Reform Act**”), amendments made to FSMA by the Banking Reform Act, the Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 (SI 2014/1960), the Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014 (SI 2014/2080) and the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015 (SI 2015/547) (each, as amended and together the “**UK Ring-fencing Legislation**”), and rules made by the PRA and FCA, certain UK banks are required to ‘ring-fence’ core banking services from wholesale and investment banking services.

As a result, in the event that a UK authorised person, which has a permission under Part 4A of FSMA to conduct the regulated activity of accepting deposits, has, among other things, accepted no less than £25 billion of deposits (excluding deposits from certain financial institutions, certain corporates and high net worth individuals who expressly “opt out”), it is required to operate a ring-fenced body (“**RFB**”). A bank that is required to “ring-fence” its retail banking activities is required to use its RFB to ensure that the “core activity” of accepting deposits, together with the “core services” associated with that activity, is structurally separated from certain “excluded activities” (including, for example, activities associated with investment and wholesale banking such as dealing in certain instruments as principal and dealing in commodities). The RFB is also subject to a number of other restrictions, including, for example, being prohibited from incurring exposures to certain types of financial institutions.

At the date of publication of this Prospectus, the OSB Group does not fall within the scope of the UK Ring-fencing Legislation as the core deposit threshold is not met. However, in the event that the Group increases the value of deposits that it accepts in the future so that the core deposit threshold is met, and as a result becomes subject to the UK Ring-fencing Legislation, the likely implementation and ongoing compliance costs would be significant. If such an event were to occur, the Group would have to undertake a reorganisation, introduce new procedures and possibly alter its business model and, if the Group were found to be in breach of any of the ring-fencing requirements placed upon it under the ring-fencing regime, it could be subject to supervisory or enforcement action by the PRA, the consequences of which might include substantial financial penalties, imposition of a suspension or restriction on the Group’s UK activities or, in the most serious of cases, forced restructuring of the Group, entitling the PRA (subject to the consent of the UK Government) to require the sale of an RFB or other parts of the Group.

1.8 **FCA regulation of regulated mortgages**

The FCA regulates the provision of “regulated mortgage contracts” (defined in Article 61(3)(a) of the FSMA (Regulated Activities) Order 2001 (SI 2001/544)). OSB, CCFSL and CML are authorised for administering a regulated mortgage contract, arranging (bringing about) regulated mortgage contracts, entering into a regulated mortgage contract as lender, and making arrangements with a view to regulated mortgage contracts. PFL is authorised to administer a regulated mortgage contract and enter into a regulated mortgage contract as lender.

The Mortgages and Home Finance: Conduct of Business sourcebook in the FCA Handbook, issued in October 2003, sets out rules for regulated mortgage activities which cover, among other things, pre- and post-contract sales disclosures, contract changes, arrears and repossessions, and charges. The FCA’s prudential sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries also includes requirements relating to the maintenance of capital resources by mortgage intermediaries and the allocation of responsibility for a firm’s insurance distribution and/or mortgage credit intermediation activities to a specific director or senior manager.

Recent and ongoing work by the FCA concerning the mortgage market (and consumer credit more generally) may impact the Group. In June 2016, the FCA published a consultation paper (CP 16/16), which considered the approach to customers experiencing a payment shortfall and proposed changes to the allocation of payments. A policy statement, PS 16/25, was published by the FCA on 14 December 2016 on the allocation of payments received by customers with a payment shortfall and amending the definition of “payment shortfall”. The new rules came into effect on 15 December 2016. In April 2017, the FCA also published finalised guidance on the fair

treatment of mortgage customers in payment shortfall and the impact of automatic capitalisation (FG 17/4).

In January 2018, the FCA published its thematic review on the fair treatment of existing interest-only mortgage customers (TR 18/1). The review found that progress in this area had been made by lenders, and did not propose immediate new regulation. Instead, the FCA published a customer communication alongside TR 18/1 encouraging interest-only mortgage customers to contact their lenders as early as possible to discuss interest-only repayment options. In December 2018, the FCA published findings of a thematic review (TR 18/5) on the management of long-term mortgage arrears and forbearance.

In May 2018, the FCA issued an interim report on the mortgages market study (MS 16/2.2), with its final report published on 26 March 2019. The final report proposed certain remedies for the mortgage market, with the FCA proposing new lending rules on how lenders assess whether or not a customer can afford to switch to a new loan in CP 19/14 (March 2019) (which were implemented with immediate effect through PS 19/27 (October 2019)), and consulting on changes to advice rules and guidance that would reduce barriers to innovation in mortgage distribution in CP 19/17 (May 2019) (which were implemented through PS 20/01, with the changes coming into force on 31 January 2020 but with certain of the rules subject to transitional provisions until 30 July 2020).

On 27 June 2019, the FCA launched a review of the credit information market and its impact on customers, citing concerns about the coverage and quality of credit information, the effectiveness of competition between credit reference agencies and the extent of consumer engagement. Its interim report is expected at some time in 2020 and may include potential remedies.

The Group may be impacted by any future regulation in this area.

(A) *Mortgage Credit Directive*

EU member states are subject to the Mortgage Credit Directive (Directive 2014/17/EU) (the “**Mortgage Credit Directive**”), which applies to various categories of secured credit agreements which relate to immovable property for consumers. The Mortgage Credit Directive applies to:

- (a) credit agreements secured by a mortgage or comparable security commonly used in an EU member state on residential immovable property, or secured by a right relating to residential immovable property; and
- (b) credit agreements the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building.

It also amends the Consumer Credit Directive (Directive 2008/48/EC) (the “**Consumer Credit Directive**”) to apply to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a maximum total amount of credit of seventy-five thousand Euros (€75,000).

The Mortgage Credit Directive does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees as a secondary activity.

The Mortgage Credit Directive Order 2015 (SI 2015/910), as amended by the Mortgage Credit Directive (Amendment) Order 2015 (SI 2015/1557), implements the Mortgage Credit Directive into UK law, in part by making changes to FSMA. The Mortgage Credit Directive Order 2015:

- (a) installs a new regulatory regime for consumer buy-to-let mortgages;
- (b) broadens the regulated mortgage contract definition to include second mortgages; and
- (c) transfers regulation of some existing agreements to the regulated mortgage contract regime from the consumer credit regime.

(B) *Repossessions policy*

A pre-action protocol relating to mortgage or home plan arrears where the relevant loan relates to residential property in England and Wales came into force on 19 November 2008 (the “**Pre-Action Protocol**”). The Pre-Action Protocol sets out guidance on the steps that lenders are expected to take before commencing a claim for possession. A number of mortgage lenders confirmed that they would delay the initiation of repossession action for at least three months after arrears start to accrue and where the property in question is occupied by the borrower.

The Mortgage Repossession (Protection of Tenants etc.) Act 2010 came into force on 1 October 2010, giving courts in England and Wales the authority to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender’s consent). It also requires the lender to serve notice at the property before enforcing a possession order.

In addition, a Pre-Action Protocol for Debt Claims came into force on 1 October 2017 and applies to any business claiming payment of a debt from an individual. It encourages early and reasonable engagement between parties in order to allow parties to resolve the matter without the need to institute court proceedings. Such “out of court proceedings” may include discussing a reasonable repayment plan, or considering the use of alternative dispute resolution procedures.

1.9 **Financial Services Compensation Scheme**

FSMA established the FSCS which pays compensation to eligible customers of certain types of authorised firms which are unable, or are likely to be unable, to pay claims against them. Broadly speaking, the aims of compensation payments are to provide redress for customers who are least able to sustain financial loss and, therefore, to assist in promoting consumer confidence in the financial system.

The actual level of compensation paid by the FSCS depends on the basis of claim. The FSCS only pays compensation for financial loss. Compensation limits apply on a “per person per firm” and “per claim category” basis.

The maximum levels of compensation in respect of the different types of claim which can be made are as follows:

- (a) Deposits: eighty-five thousand pounds Sterling (£85,000) per person per firm or up to one hundred and seventy thousand pounds Sterling (£170,000) for joint accounts (for claims against firms declared in default from 30 January 2017). There is also a one million pounds Sterling (£1,000,000) protection limit for temporary high balances held with a bank, building society or credit union in certain situations (e.g. where this represents proceeds from the sale of a primary residence).
- (b) Investments: eighty-five thousand pounds Sterling (£85,000) per person per firm (for claims against firms declared in default from 1 April 2019).
- (c) Home finance (e.g. mortgage advice and arranging): eighty-five thousand pounds Sterling £85,000 per person per firm (for claims against firms declared in default from 1 April 2019).
- (d) Insurance business: Claims under long-term insurance, compulsory insurance, professional indemnity insurance and certain claims for injury, sickness or infirmity of the policyholder are one hundred per cent. (100%) protected and other types of claim are ninety per cent. (90%) protected with no upper limit (for claims against firms declared in default from 3 July 2015).
- (e) General insurance advice and arranging: Claims under compulsory insurance are one hundred per cent. (100%) protected and other types of claim are ninety per cent. (90%) protected with no upper limit (for business conducted on or after 14 January 2005).

The FSCS is funded by levies raised on authorised firms.

1.10 **Financial Ombudsman Service**

FSMA established the FOS which provides customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from a regulated firm. The jurisdiction of the FOS extends to banks and consumer finance firms. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The definition of eligible persons was widened from 1 April 2019 to extend access to the FOS to more small and medium-sized enterprises, charities and trusts. The FOS may also make directions (which direct the business to take such steps as the FOS considers just and appropriate).

At present, the maximum monetary award which may be awarded by the FOS is three hundred and fifty five thousand pounds Sterling (£355,000) (excluding any interest and costs) for complaints referred to the FOS on or after 1 April 2020 about acts or omissions by firms on or after 1 April 2019, and one hundred and sixty thousand pounds Sterling (£160,000) for complaints about acts or omissions by firms before 1 April 2019, and which are referred to the FOS after that date. For complaints referred to the FOS between 1 April 2019 and 31 March 2020 about acts or omissions by firms on or after 1 April 2019, the limit will be three hundred and fifty thousand pounds Sterling (£350,000) and for any complaints referred to the FOS before 1 April 2019, the limit will remain at one hundred and fifty thousand pounds Sterling (£150,000).

Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable in all circumstances of the case. In this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on regulated firms.

1.11 **Senior Managers and Certification Regime**

The Senior Managers and Certification Regime (the “**SM&CR**”), has applied to banks, such as OSB and CCFSL, since 7 March 2016, and insurers since 10 December 2018. From 9 December 2019, the SM&CR was extended to solo-regulated firms (including insurance intermediaries, mortgage lenders and brokers, and consumer credit firms). The SM&CR is intended to enhance personal responsibility for senior managers, as well as raise standards of conduct of key staff more broadly, supported by robust enforcement powers for the regulators. The regime consists of three main elements: (i) the Senior Managers Regime; (ii) the Certification Regime; and (iii) the Conduct Rules. Solo-regulated firms within the SM&CR are categorised as: (i) limited scope; (ii) core; or (iii) enhanced, with different requirements applying under the SM&CR to each category of firm, depending on their size and complexity. PFL is an enhanced firm and CML is a core firm under the SM&CR.

(A) *Senior Managers Regime:*

The Senior Managers Regime focuses on individuals who carry out certain specified senior management functions for the firm (i.e. individuals who hold key roles or have overall responsibility for business areas of the firm in question). These individuals are required to be approved by the PRA and/or the FCA (depending on the nature of their role) prior to performing senior management functions, are subject to ongoing fitness and propriety assessments and have a statutory duty of responsibility to take reasonable steps to prevent regulatory breaches occurring in their areas of responsibility. Firms must ensure that each senior manager has a statement of responsibilities setting out the areas for which they are personally accountable, and their allocated prescribed responsibilities. Certain firms (including UK banks and enhanced solo-regulated firms) must produce a management responsibilities map describing their management and governance arrangements.

(B) *Certification Regime:*

The Certification Regime applies to employees who, while not senior managers, could pose a risk of significant harm to the firm and/or its customers. Such individuals must be certified by the firm to be fit and proper to carry out their roles both when taking up that role and on a continuing basis thereafter.

(C) *Conduct Rules:*

The conduct rules are high-level requirements that apply to all employees (except ancillary staff who perform a role that is not specific to the financial services business of the firm) of firms within the scope of the SM&CR. There are specific, additional conduct rules that apply to senior managers (and, to a more limited extent, non-executive directors who do not perform senior management functions).

The Financial Services (Banking Reform) Act 2013 introduced a new criminal offence of reckless misconduct in the management of a bank that applies in respect of misconduct by a senior manager that leads to the failure of a bank. In summary, it applies where a senior manager takes a decision, or fails to take steps to prevent a decision, by or on behalf of a bank, the implementation of which causes the bank's failure (or the failure of another bank in its group). The offence relates to decisions taken on or after 7 March 2016, and, in order to establish the offence, it would be necessary to show the senior manager was aware of a risk that implementing the decision may cause the bank (or another bank in its group) to fail and his conduct in relation to the taking of the decision fell far below that reasonably expected of a person in his position.

1.12 **Other relevant legislation and regulation**

(A) *Payment Services Regulations*

Under the Payment Services Regulations 2017 (SI 2017/752), the FCA is responsible for regulating payment services in the UK. The Payment Services Regulations 2017 establish an authorisation regime, which requires payment service providers either to be authorised or registered with the FCA. The Payment Services Regulations 2017 also contain certain rules about the provision of payment services with which payment service providers must comply, including rules concerning obtaining consent for payment transactions, unauthorised or incorrectly executed transactions, liability for unauthorised payment transactions, refunds, execution of payment transactions, execution time, information to be provided to payment service users, and liability of payment services providers where things go wrong. The Payment Services Regulations 2017 apply to OSB and CCFSL when they are providing payment services to their customers.

(B) *Payment Services Regulator*

The Financial Services (Banking Reform) Act 2013 required the establishment of the Payment Systems Regulator. The Payment Systems Regulator was established on 1 April 2014 and became fully operational in April 2015. The general functions of the Payment Systems Regulator are:

- (a) giving general directions;
- (b) giving general guidance; and
- (c) determining the general policy and principles by reference to which it performs particular functions.

In discharging its general functions, the Payment Systems Regulator must, so far as is reasonably possible, act in a way which advances one or more of its payments system objectives.

The Payment Systems Regulator's payment system objectives are:

- (a) to promote effective competition in the market for payment systems and the markets for services provided by payment systems in the interests of those who use, or are likely to use, services provided by payment systems (the competition objective);
- (b) to promote the development of, and innovation in, payment systems in the interests of those who use, or are likely to use, services provided by payment systems, with a view to improving the quality, efficiency and economy of payment systems (the innovation objective); and

- (c) to ensure payment systems are operated and developed in a way that takes account of, and promotes, the interests of those who use, or are likely to use, services provided by payment systems (the service-user objective).
- (C) *UK Money Laundering Regulations*
- The MLRs 2017, which came into force on 26 June 2017 and were amended on 20 December 2019 to implement 5MLD, require the Group to (among other things) verify the identity of customers during the on-boarding process and to keep records to help prevent money laundering and fraud. Guidance in respect of firms' anti-money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group. In the UK's 2020 Budget on 11 March 2020 the UK Government announced its intention to introduce a levy to be paid by firms subject to the MLRs 2017, to help fund new government action to tackle money laundering and ensure delivery of reforms committed to in the UK's Economic Crime Plan. The UK Government published a consultation on the levy in July 2020, which invited views on the design principles of the levy and how it could operate in practice to ensure that it is proportionate and effective. The consultation period closes on 14 October 2020.
- (D) *Bribery Act*
- The Bribery Act 2010 contains offences relating to bribing another person, accepting bribes and bribing foreign public officials. It also contains an offence concerned with failures by commercial organisations to prevent bribery by persons associated with them. The Ministry of Justice has published guidance about procedures which commercial organisations may put into place to help prevent associated persons from engaging in such activity.
- (E) *Criminal Finances Act*
- With effect from 30 September 2017, the Criminal Finances Act 2017 introduced a new criminal offence for businesses that fail to take adequate steps to prevent their associates (employees, agents or other persons who perform services for or on behalf of the business concerned) from facilitating tax evasion. Only where the business has put in place reasonable prevention procedures to prevent facilitation of tax evasion by their associates will it have a defence. HMRC has published guidance on the types of processes and procedures that may be put in place by businesses to limit the risk of representatives criminally facilitating tax evasion.
- (F) *Data Protection Act*
- The Data Protection Act 2018 (the "DPA") supplements the GDPR and came into force on 25 May 2018 (superseding the Data Protection Act 1998). It also implements the EU Data Protection Directive (Directive (EU) 2016/680) into UK law. Those responsible for processing and controlling personal data must ensure that their data policies and processes reflect requirements contained in the GDPR and the DPA. The DPA appoints the Information Commissioner as the independent data protection regulator and contains requirements for data controllers to notify the Information Commissioner of breaches of the DPA. For more information on the impact of the GDPR, see section 2.7 below.
- (G) *Modern Slavery Act*
- The Modern Slavery Act 2015 requires companies supplying goods or services with a total global annual turnover of thirty-six million pounds Sterling (£36,000,000) or more that are carrying out a business, or part of a business, in the UK to publish a slavery and human trafficking statement each financial year. The total turnover is calculated taking into account the turnover of any subsidiary undertakings.
- (H) *Consumer rights*
- The main provisions of the CRA came into force on 1 October 2015. Among other things, it deals with unfair contract terms and consumer notices. The main effect of this legislation

is to consolidate and reform the rules dealing with the fairness of contractual terms when dealing with a consumer as well as clarify the remedies that consumers have.

In the UK, the Unfair Terms in Consumer Contracts Regulations 1994 applied to all mortgage loans that were entered into between 1 July 1995 and 30 September 1999. These regulations were revoked and replaced by the UTCCR on 1 October 1999, which applied to all mortgage loans as of that date. The UTCCR generally provided that:

- (a) a borrower may challenge a term in an agreement on the basis that it is an “unfair” term within the UTCCR and, therefore, not binding on the borrower (although the agreement itself continues to bind the parties if it is capable of continuing in existence without the unfair term); and
- (b) the CMA and any “qualifying body” (as defined in the regulations, such as the FCA) may seek to prevent a business from relying on unfair terms.

The CRA significantly reforms and consolidates consumer law in the UK and re-implements the Unfair Contract Terms Directive (Directive 93/13/EEC) (the “**Unfair Contract Terms Directive**”) into UK law. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR. When the unfair contract terms regime of the CRA came into force it revoked the UTCCR and introduced a new regime for dealing with unfair contractual terms as follows:

- (a) under Part 2 of the CRA, an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual’s trade, business, craft, or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties’ rights and obligations under the contract to the detriment of the consumer;
- (b) a term in a consumer contract may not be assessed for fairness to the extent that:
 - (a) it specifies the main subject matter of the contract; or
 - (b) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it, to the extent that such term is transparent and prominent; and
- (c) a trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent (i.e. that it is expressed in plain and intelligible language and is legible). Where a term in a consumer contract is susceptible to multiple different meanings, the meaning most favourable to the consumer will prevail.

The CMA and the FCA have powers to challenge unfair terms in financial services consumer contracts as a regulator under the CRA. They may seek an undertaking from the firm not to use an unfair contract term in its consumer contracts or apply to the court for an injunction from using the unfair term or enforcing the term against customers. In December 2018, the FCA published FG 18/7 on fairness of variation terms in financial services consumer contracts under the CRA, outlining the areas to which firms should have regard when drafting variation terms to ensure their fairness under the CRA.

(I) *Unfair trading practices*

Unfair business-to-consumer commercial practices are regulated under Unfair Commercial Practices Directive (Directive 2005/29/EC) (the “**Unfair Commercial Practices Directive**”). The Unfair Commercial Practices Directive has been implemented in the UK through the Consumer Protection from Unfair Trading Regulations 2008 (SI 2008/1277) (the “**Consumer Protection from Unfair Trading Regulations**”).

The Unfair Commercial Practices Directive provides that enforcement bodies may take administrative action or legal proceedings in connection with unfair business-to-consumer commercial practices. The Unfair Commercial Practices Directive is intended to protect only collective interests of consumers, and is therefore not intended to give any claim, defence or right to set-off to an individual consumer.

Under the Consumer Protection from Unfair Trading Regulations a commercial practice is to be regarded as unfair, and is therefore prohibited, if it is:

- (a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or general principles of good faith in the trader's field of activity; and
- (b) materially distorts or is likely to materially distort the economic behaviour of the average consumer (who is reasonably well-informed and reasonably observant and circumspect) who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer within that group).

In addition to the general prohibition on unfair commercial practices, the Consumer Protection from Unfair Trading Regulations contain provisions aimed at aggressive and misleading practices and customers now have a direct civil right of redress against businesses for such practices by virtue of the Consumer Protection (Amendment) Regulations 2014 (SI 2014/870).

The Enforcement and Modernisation Directive (Regulation (EU) No. 2019/261) amends (among other EU legislation) the Unfair Commercial Practices Directive and the Unfair Contract Terms Directive and must be transposed into the national law of EU member states by 28 November 2021. Among other things, it requires EU member states to introduce fines of up to at least four per cent. (4%) of the trader's annual turnover in the EU member states concerned or, if turnover information is not available, up to at least two million Euros (€2,000,000) for certain breaches of the Unfair Commercial Practices Directive and the Unfair Contract Terms Directive.

UK consumer rights regulations could lead to terms of agreements relating to mortgage loans savings accounts issued by OSB, CCFSL, PFL and CML being unenforceable, which could negatively impact the Group.

(J) *Financial Services (Distance Marketing) Regulations*

The Financial Services (Distance Marketing) Regulations 2004 (SI 2004/2095) give effect to the Distance Marketing Directive (Directive 2002/65/EC) and govern the conditions on the sale of retail financial services products (such as credit cards) where the products are sold over the internet, by telephone or by SMS within the UK or elsewhere in the EEA. The Financial Services (Distance Marketing) Regulations: (i) impose an obligation to provide certain information before concluding a contract; and (ii) require a "cooling off" period of fourteen (14) calendar days during which consumers may withdraw from a contract without incurring penalties and without providing a reason.

(K) *Outsourcing and operational resilience*

The Group is subject to a number of regulatory obligations in relation to outsourcing and third-party risk management. On 25 February 2019, the European Banking Authority published revised guidelines on outsourcing arrangements, which took effect on 30 September 2019 and apply to banks (among other firms). The guidelines supplement the existing provisions in the PRA Rulebook and the FCA Handbook in relation to outsourcing and require firms to identify, assess, monitor and manage risks associated with third-party arrangements.

On 5 December 2019, following the publication of DP 01/18 by the PRA and DP 18/04 by the FCA, the Bank of England, the PRA and the FCA published a policy summary and consultation papers on new requirements to strengthen operational resilience in the

financial services sector and the PRA published a consultation paper on outsourcing and third-party risk management. Under the proposals, among other things, firms would be expected to identify important business services, set impact tolerances for such services, identify and document the people, processes, technology, facilities and information that support their important business services and take action to be able to remain within their impact tolerances through a range of severe but plausible disruption scenarios. The consultation period closed on 1 October 2020.

(L) *Financial Reporting Council*

The Financial Reporting Council is an independent UK regulatory body responsible for promoting high quality corporate governance and reporting. Among other things, the Financial Reporting Council sets UK codes and standards for governance, accounting, auditing and actuarial work. It also monitors disclosure compliance by public companies within the applicable financial reporting framework and investigates misconduct by professional accountants and actuaries.

An independent review of the Financial Reporting Council was published on 18 December 2018 by the Department of Business, Energy and Industrial Strategy, led by Sir John Kingman, which recommended the Financial Reporting Council be replaced by a new regulator, called the Audit, Reporting and Governance Authority (ARGA). The government has committed to implement the review's recommendations. There is no timetable at present. In the context of the Queen's Speech in December 2019, the UK Government stated that would develop proposals on company audit and corporate reporting, including a stronger regulator with all the powers necessary to reform the sector.

(M) *International Financial Reporting Standards, previously known as International Accounting Standards*

The IAS Regulation (Regulation (EC) No. 1606/2002) (the "**IAS Regulation**") represented a significant step taken by the EU to assist with the overall convergence of accounting standards on an international scale.

The main aim of the IAS Regulation is to ensure that publicly traded companies in the EU apply a single set of high-quality international accounting standards for the preparation of their consolidated financial statements (known as "group accounts" under the Companies Act). Under the Companies Act, "international accounting standards" is used to refer to the international accounting standards within the meaning of the IAS Regulation.

In 2001, the International Accounting Standards Committee was replaced by the International Accounting Standards Board, following which all new published standards have been issued as IFRS instead of IAS.

(N) *IFRS 9: Financial Instruments*

The current accounting standard governing the impairment of financial assets came into effect for annual reporting periods beginning on or after 1 January 2018. The standard fundamentally changes the calculation and recognition of credit losses by introducing the requirement to base impairment provisions on expected credit losses over the life of the financial asset. It also requires credit losses to be recognised for all loans, in contrast with the previous standard (IAS 39) which requires recognition of losses only when there was evidence of impairment. In addition, the models used to calculate expected credit losses must now include forward looking factors including macro-economic variables.

1.13 **Regulatory and other changes resulting from the UK exit from the EU**

A significant proportion of the current and anticipated regulatory regime applicable to the Group in the UK is derived from EU directives and regulations. The UK exited the EU on 31 January 2020 and is currently within a transition period, which will end on 31 December 2020 (unless extended). During this transition period, most EU law is applicable to and in the UK, and produces in respect of and in the UK the same legal effects as those which it produces within the EU and its member states. Following expiry of the transition period, subject to any agreements

concluded between the UK and the EU regarding their future relationship, the EUWA is expected to “onshore” most EU law as it stands at the end of the transition period into domestic UK law and preserve laws made in the UK to implement EU obligations. The EUWA also gives the UK Government the power to remedy (by subordinate legislation) deficiencies in retained EU law arising from its onshoring. The UK Government may decide to amend or disapply this retained EU law and there is uncertainty as to the extent to which there will be regulatory alignment between the UK and the EU following the transition period. Therefore, there is a risk that, following the expiry of the transition period, the legal and regulatory framework applicable to the Group could materially change (for example, the UK’s 2020 Budget on 11 March 2020 referred to the UK Government’s intention to introduce a Financial Services Bill which would, among other things, enable the implementation of the remaining Basel III banking standards that will not have been incorporated into UK legislation by the end of the EU exit transition period). For more information see risk factor 2.4 in Part III (*Risk Factors*) of this Prospectus.

1.14 **LIBOR transition**

A voluntary agreement was made with the LIBOR panel banks to continue to submit to LIBOR until the end of 2021 and, therefore, LIBOR may not be available from that date. UK banking groups (and other financial and non-financial institutions) continue to prepare for the transition from the LIBOR to alternative rates and the PRA and the FCA are stepping up their engagement with affected firms on this matter. The Bank of England’s Working Group on Sterling Risk-Free Reference Rates recommends (among other things) that there should be no new issuances of sterling LIBOR-referencing loan products with maturities beyond the end of 2021 by the end of Q1 2021. The Sterling Overnight Index Average (“SONIA”) will replace LIBOR as the primary sterling interest rate benchmark.

1.15 **FCA COVID-19 Guidance**

On 20 March 2020, the FCA published new guidance for, *inter alia*, mortgage lenders and administrators entitled ‘*Mortgages and coronavirus: our guidance for firms*’, in connection with the on-going outbreak of COVID-19 in the UK, and on 2 June 2020 (with effect from 4 June 2020) and on 16 June 2020, the FCA updated this guidance to provide continued support for customers struggling to pay their mortgage due to the ongoing effects of the COVID-19 pandemic and government actions in response to it. The FCA COVID-19 Guidance applies to firms within the OSB Group.

The FCA COVID-19 Guidance provides, among other things, that UK mortgage lenders and administrators, such as the Group, must grant to customers a payment holiday (referred to in the FCA COVID-19 Guidance as a “payment deferral”) for three monthly payments where a customer requests a payment holiday because they are experiencing, or reasonably expect to experience, payment difficulties due to circumstances relating to the COVID-19 pandemic. Firms must agree to this request for three monthly payments unless they agree with the customer a different option that the firm reasonably considers to be in the customer’s best interests (without regard to its own commercial interests). A request for a payment holiday for three monthly payments may be made by a customer at any time until 31 October 2020, when the FCA COVID-19 Guidance is due to expire (unless it is renewed or updated), although any granted payment holiday can continue past this date.

Furthermore, the FCA COVID-19 Guidance also provides that a mortgage lender or administrator should ask whether the customer would be interested in a payment holiday if the customer provides information during an interaction with the mortgage lender or administrator that suggests they may be experiencing, or could reasonably expect to experience, payment difficulties as a result of circumstances relating to the COVID-19 pandemic. The mortgage lender or administrator cannot levy any additional fee or charge for the payment holiday, save as to the accrued interest on the sum that is temporarily unpaid. A mortgage lender/administrator may decide to put in place an option other than a three month payment holiday, if it is appropriate to do so in the individual circumstances of the case and it is in the best interests of the customer.

The FCA COVID-19 Guidance does not prevent a mortgage lender or administrator from providing more favourable assistance to the customer, such as reducing or waiving interest, and alternative options can be put in place if it is appropriate and in the best interests of the customer.

At the end of a payment holiday, firms should contact their customers to find out if they can resume payments and if so, agree a plan on how the missed payments will be repaid. Any customer who received a payment holiday under the FCA COVID-19 Guidance and indicates they cannot immediately resume full payments at the end of that initial payment holiday, must be offered by a mortgage lender a further full or partial holiday payment (where the mortgage lender permits the customer to make reduced payments of any amount) for (a further) three monthly payments. The type of payment holiday will be based upon what the customer considers they can then afford to repay. A mortgage lender would only be able to refuse a further payment holiday if it could demonstrate that to do so is obviously not in the customer's best interests and a different option is more appropriate. Therefore, a mortgage lender, including the authorised firms in the Group, may be required to give relevant customers payment holidays of up to six monthly payments.

In addition, the FCA COVID-19 Guidance provides that firms should not commence or continue repossession proceedings against customers before 31 October 2020, irrespective of the stage that repossession proceedings have reached or of any step taken in pursuit of repossession. Where a possession order has already been obtained, the FCA COVID-19 Guidance states that firms should refrain from enforcing it. The only exception to delaying proceedings is where a customer has specifically requested that the repossession proceedings continue.

The FCA makes clear in the FCA COVID-19 Guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner consistent with these requirements and that the guidance applies in respect of a customer regardless of whether they are in a payment shortfall.

On 14 September 2020, the FCA published additional guidance in the form of finalised guidance for firms regarding mortgages and coronavirus. The additional guidance, which has effect from 16 September 2020, supplements the FCA COVID-19 Guidance. It sets out the FCA's expectations of firms dealing with customers who: (i) have benefitted from two payment holidays granted under the FCA COVID-19 Guidance; (ii) have benefitted from an initial payment holiday that expires after 31 October 2020; or (iii) experience payment difficulties as a result of circumstances relating to coronavirus after 31 October 2020.

Among other things, it states that: (i) if a customer who has already benefitted from two payment holidays under the FCA COVID-19 Guidance or benefitted from an initial payment holiday that expires after 31 October 2020 indicates that they continue, or reasonably expect to continue, to face payment difficulties, the firm should treat the customer fairly and should work with the customer to resolve these difficulties before payments are missed; and (ii) the FCA expects firms to be flexible and employ a full range of short- and long-term forbearance options to support their customers and minimise avoidable financial distress and anxiety to customers in financial difficulty (which could include, for example, extending the term of a mortgage, changing the type of mortgage or deferring payments). In particular, the additional guidance states that, in relation to some second charge mortgages, there is a particular risk of harm from the total debt escalating significantly when a customer defers payments or enters payment shortfall and it is particularly important that, in such cases, firms consider using a range of forbearance options (including applying simple interest, rather than compound to any payment shortfall or reducing the interest rate charged on these sums (in some cases to 0%)).

It also states that, at the end of a payment holiday period under the FCA COVID-19 Guidance, there will be no payment shortfall for the purposes of MCOBS 13 where the accrued amounts are repaid before the next payment is due (including where the sums are capitalised) and, unless the customer is unreasonably refusing to engage with the firm in relation to addressing a payment holiday shortfall, a firm should not repossess without the customer's consent solely because of such a shortfall.

1.16 **Other**

In addition to those laws and regulations described above, the Group is also subject to, and complies with, a number of legal and regulatory requirements that relate to, amongst other areas, employment, and health and safety.

2. EUROPEAN UNION LEGISLATION

The regulatory framework for financial services within the UK is currently shaped to a large degree by EU legislation. A significant proportion of the Group's regulatory regime is derived from EU regulations and directives and, as explained above, following the transition period, the legal and regulatory framework applicable to the Group could materially change. For more information see risk factor 2.4 in Part III (*Risk Factors*) of this Prospectus.

The items of EU legislation listed below have particular relevance to the Group.

2.1 *Capital Requirements Regulation and Directive*

The Basel Committee on Banking Supervision (the "**Basel Committee**") introduced significant changes to its existing capital requirements framework for banks in December 2010, with further reforms agreed between 2010 and 2017, and the final reform package issued in December 2017. The intention of these new capital and liquidity requirements is to reinforce capital standards (with heightened requirements for global systemically important banks), and to establish minimum liquidity standards for credit institutions. The changes, known as the Basel III reforms, include new requirements regarding the Liquidity Coverage Ratio and the Net Stable Funding Ratio.

Key Basel III reforms were implemented in the EU by the CRR and CRD IV, which were adopted by the European Parliament and European Council on 26 June 2013. Further Basel III reforms are set out in the CRR II and CRD V, which were published in June 2019 and make significant amendments to the CRR and CRD IV. With certain exceptions, the provisions of the CRR II will apply from 28 June 2021, with EU member states expected to transpose CRD V to apply from 29 December 2020. With regard to provisions of CRD V that will come into effect after the end of the Brexit transition period, it is currently understood that these provisions will be introduced into UK legislation by other means. However, until such UK legislation is introduced, it is, not possible to say with certainty what the full effect of CRD V will be in the UK.

The final set of Basel III reforms, including reforms relating to the standardised and internal ratings based approaches for credit risk, and a revised output floor have not yet been implemented in the EU. The Basel Committee expects member countries to implement these reforms – sometimes referred to by industry as the Basel IV reforms – by 1 January 2022 (with the exception of those relating to the output floor, which will be phased in from 1 January 2022). However, in response to the impact of COVID-19 on the global banking system, the Basel Committee announced on 27 March 2020 the deferment of the implementation date for the Basel IV reforms until 1 January 2023.

(A) *Capital*

A bank's ability to absorb losses is determined by the amount of capital it holds. Consequently, a bank's total assets and risk-weighted assets determine the minimum capital that a bank is required to hold, with that capital calculated as a percentage of its risk-weighted assets. The three types of regulatory capital set out in the CRR are:

- (a) CET1 capital, including common equity (as well as any share premiums relating to such instruments) and retained earnings;
- (b) Additional Tier 1 capital, including deeply subordinated perpetual instruments issued in accordance with the requirements of the CRR (as well as any share premiums relating to such instruments); and
- (c) Tier 2 capital, comprising dated or perpetual subordinated instruments issued in accordance with the requirements of the CRR (as well as any share premiums relating to such instruments) and certain other risk-weighted exposure amounts.

The principal metrics used to assess capital strength are the CET1 ratio (CET1 capital: total risk exposure amount), total capital ratio, and the leverage ratio. The CRR sets out the minimum requirements ("**Pillar 1**") for institutions' own funds, including:

- (a) a CET1 capital ratio of four point five per cent. (4.5%);
- (b) a Tier 1 capital ratio of six per cent. (6%); and

(c) a total capital ratio of eight per cent. (8%).

In addition to the Pillar 1 capital requirements, institutions are also subject to Pillar 2 requirements. This includes Pillar 2A (which is intended to take account of risks which are not adequately covered by Pillar 1 calculations) and Pillar 2B (which is intended to take account of risks including those to which institutions may become exposed over a forward-looking planning horizon). The level of capital required to be maintained by institutions under Pillar 2 are subject to ongoing review by the relevant competent authorities. In line with the CRD IV, the PRA requires UK banks to maintain a capital conservation buffer of CET1 capital equal to two point five per cent. (2.5%) of their total risk exposure amount. The PRA requires UK banks to maintain a countercyclical capital buffer of CET1 capital equal to their total risk exposure amount multiplied by their institution-specific countercyclical capital buffer rate (which consists of a weighted average of countercyclical buffer rates that apply to exposures in the jurisdictions where that firm's relevant credit exposures are located, calculated in accordance with a certain set of requirements). As a COVID-19-related measure, the United Kingdom's counter cyclical buffer rate was reduced from one per cent. (1%) to zero per cent. (0%) for a 12 month period, with binding effect from 11 March 2020. Sector-specific or systemic buffers may also apply.

The CRR places a requirement on EU parent institutions of in-scope firms (including EU-authorized banks) to comply with capital and leverage requirements on the basis of their consolidated situation. Following the expiry of the transition period, it is anticipated that this consolidation will instead apply at the level of the highest UK holding company. The effect of this is that the Group will continue to be subject to consolidated supervision by the PRA following the Company becoming the ultimate parent company of the OSB Group.

(B) *Liquidity*

A bank's ability to manage shocks to the financial system is assessed by the extent to which its assets are covered by funding with equal or longer maturity. The principal metrics to assess bank funding and liquidity are the Net Stable Funding Ratio and Liquidity Coverage Ratio:

- The Net Stable Funding Ratio is a key component of the Basel III reforms (discussed above). The ratio seeks to calculate the proportion of long-term assets which are funded by long term, stable funding. The Basel framework states that a bank's Net Stable Funding Ratio must be at least one hundred per cent. (100%) on an ongoing basis. The CRR II will implement a binding Net Stable Funding Ratio requirement from 28 June 2021.
- The Liquidity Coverage Ratio is designed to ensure that financial institutions have the necessary assets available to withstand short-term liquidity disruptions. Banks are required to hold an amount of highly liquid assets equal to or greater than their net cash outflow over a thirty day (30) period. The Liquidity Coverage Ratio was introduced in October 2015 and, following a phased implementation period, the full one hundred per cent. (100%) minimum came into force on 1 January 2018.

(C) *Leverage*

The PRA has introduced leverage ratio requirements such that UK banks and building societies that have retail deposits equal to or greater than £50,000,000,000 must hold sufficient Tier 1 capital to maintain, at all times, a minimum leverage ratio of three point two-five per cent. (3.25%). For the purposes of complying with the leverage ratio requirements, at least seventy-five per cent. (75%) of the relevant firm's Tier 1 capital must consist of CET1 capital.

(D) *Large exposures*

The PRA also imposes restrictions on large exposures incurred by banks, and requires capital deductions for funding arrangements (including loans and guarantees) entered into with connected parties where those arrangements are of a capital nature.

2.2 **Consumer Credit Directive**

The Consumer Credit Directive regulates the provision of credit at EU level and was implemented in the UK through a series of implementing regulations, including by way of amendments to the CCA and FSMA. The Consumer Credit Directive provides that, subject to exemptions, consumer loans involving a total amount of credit of two hundred Euros (€200) or more but not exceeding seventy-five thousand Euros (€75,000) will be regulated.

Among other things, the Consumer Credit Directive requires EU member states to ensure that suppliers of consumer credit provide a comprehensible set of information to consumers in good time before a consumer credit agreement is entered into, with the aim of permitting consumers to compare consumer credit agreements more easily and better understand the features and obligations of such agreements. The pre-contractual information provided by creditors must follow a standardised format. In addition, EU member states must implement two essential rights for consumers: (i) the right to withdraw from a credit agreement without giving any reason within a period of fourteen (14) days after the conclusion of the contract; and (ii) the right to repay his or her credit early at any time. In respect of the latter, the creditor is entitled to ask the customer for fair and objectively justified compensation if the repayment falls within a period for which the borrowing rate is fixed.

2.3 **European Market Infrastructure Regulation**

The EMIR was adopted by the European Parliament and European Council on 4 July 2012. The EMIR provides for certain over-the-counter derivative contracts to be submitted to central clearing and imposes, among other things, margin posting and other risk mitigation techniques, reporting and record keeping requirements. Certain changes to the EMIR have been introduced by the EMIR Refit Regulation (Regulation (EU) No. 2019/834) and EMIR 2.2 (Regulation (EU) No. 2019/2099). OSB is a category 3 firm and CCFSL was a category 3 firm at the category 3 deadline for the purposes of EMIR. Both have been required to centrally clear OTC derivatives since 18 October 2019.

2.4 **Bank Recovery and Resolution Directive**

(A) *Implementation*

The BRRD entered into force on 2 July 2014. EU Member States were required to implement the BRRD by 31 December 2014, and to put the majority of provisions into effect by 1 January 2015. The BRRD provides an EU-wide framework for the recovery and resolution of credit institutions and investment firms, their subsidiaries and certain holding companies. The BRRD has been implemented in the UK through a mixture of legislative provisions (including by way of amendments to the Banking Act), new rules in the FCA Handbook and the PRA Rulebook, and amendments to HM Treasury's Special Resolution Regime Code of Practice.

Under the BRRD, resolution authorities are given resolution powers to seek to ensure these results. These include the powers to transfer the shares or assets of a failing bank to a third party, a bridge institution established for the purpose or an asset management vehicle and to bail-in the bank's liabilities (either to cancel them; write them down, potentially wholly; or to convert them into equity).

The bail-in rules were designed to help ensure that the shareholders and unsecured creditors of a failed institution (rather than taxpayers) meet the costs of an institution's failure. This is subject to the rights of such shareholders and unsecured creditors to be compensated under a bail-in compensation order (to be made in certain specified circumstances), which is based on the principle that such creditors should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. It is not certain that compensation would be received in a particular case.

If the Bank of England were to exercise its powers under the UK rules implementing the BRRD in relation to the Group, then the New OSB Shares would be liabilities which could be cancelled or transferred, and the New OSB Shares would be the first of the Company's liabilities to bear losses because, in the event of the Company's insolvency, or on the exercise of the bail-in power, the New OSB Shares would rank behind all other claims. In addition, the Group's debt liabilities could be converted to equity as a result of the bail-in power, diluting Shareholders' holdings of New OSB Shares.

In future, the New OSB Shares may therefore be subjected to the bail-in powers in resolution, resulting in their cancellation, significant dilution or transfer away from the Shareholders. Although the BRRD also makes provisions for public financial support to be provided to an institution on resolution subject to certain conditions, it provides that the financial public support should only be used as a last resort after the resolution authorities have assessed and exploited (to the maximum extent practicable) all the resolution tools, including the bail-in power. Accordingly, it is unlikely that Shareholders would benefit from such support even if it were provided.

Additionally, the BRRD requires banking groups, and their regulators, to plan for how they might be rescued or resolved in a crisis scenario, including by making so-called 'living wills', and to take into account the competent authority's resolution powers when they issue capital and other debt instruments and enter into agreements creating liabilities.

The powers extended to regulators designed to aid early intervention in failing banks include the ability to remove and replace members of the board, implement measures identified in an institution's recovery plan, appoint special managers, and require changes to the operational and/or legal structure of the institution.

On 14 May 2019, the Council of the EU adopted Directive (EU) 2019/879, which amends the BRRD ("**BRRD II**"). BRRD II entered into force on 27 June 2019. EU member states and the UK must transpose BRRD II into law by no later than 28 December 2020.

(B) *Minimum requirement for own funds and eligible liabilities*

In June 2018, the Bank of England published a statement of policy regarding its approach to setting MREL requirements. Its policy is designed to ensure firms have sufficient loss absorbing capacity and to ensure continuity of critical functions without making recourse to public funds and to facilitate the use of the bail-in tool in a resolution scenario. MREL is set annually on a case-by-case basis by the Bank of England and the requirement for firms to meet MREL is being phased in between 1 January 2016 and 1 January 2022, subject to review by the end of 2020.

The Bank of England has published actual requirements for 2019 and indicative requirements for 2020-21 and 2022 for MREL for the UK's systemically important banks and building societies, as well as average MREL requirements for certain other non-systemic UK banks and building societies which are within the scope of stabilisation powers. The PRA requires these banks and building societies to meet an interim MREL requirement from 1 January 2020 and a final MREL requirement from 1 January 2022 (although, since 1 January 2019, the UK's global systemically important banks and building societies have been required to comply with the minimum requirements of the Financial Stability Board's total loss absorbing capacity standard ("**TLAC**"). The MREL requirements set for each bank and building society will depend on a number of factors, including (but not limited to) changes to the bank or building society and its balance sheet, the preferred resolution strategy applicable to the relevant bank or building society and any change in PRA or international policy that changes the way risk-weighted assets or the exposure measure of the leverage ratio is assessed.

The BRRD II and the CRR II make certain amendments to the MREL regime set out in the BRRD and implement at the EU level the TLAC for global systemically important banks. EU member states are expected to transpose the BRRD II by 28 December 2020 and the provisions in the CRR II relating to the TLAC will apply from 28 June 2021.

For more information see risk factor 3.5 in Part III (*Risk Factors*) of this Prospectus.

2.5 **Deposit Guarantee Schemes Directive**

The recast Deposit Guarantee Schemes Directive (Directive 2014/49/EU) (the “**recast Deposit Guarantee Schemes Directive**”) requires each EU member state to implement at least one deposit guarantee scheme, covering those deposits, in those situations and those amounts, set out in that Directive. The recast Deposit Guarantee Schemes Directive also imposes requirements on the operation of these deposit guarantee schemes, including in relation to mandatory part pre-funding of deposit guarantee schemes, a requirement that deposit guarantee schemes repay customers within seven (7) working days, and a requirement for banks to be able to provide pertinent information at any time. The FSCS is the UK’s deposit guarantee scheme.

2.6 **Payment Services Directive**

PSD2 is a further step towards the harmonisation of the regulatory regime for payment services across the EU following on from the original Payment Services Directive (Directive 2007/64/EC) (the “**Payment Services Directive**”) adopted by the EU in 2007. The Payment Services Directive aimed to bring cross-border payments within the EU in line with the level of security and efficiency of payments made within a member state. PSD2 builds on this by, requiring businesses which provide payment services to, amongst other things:

- (a) open up third-party access to account information;
- (b) improve consumer rights including in relation to complaints handling and by introducing new rules on surcharging and interchange fees; and
- (c) enhance security through the introduction of strong customer authentication and reporting of fraud in payment transactions.

The UK has implemented PSD2 by way of the Payment Services Regulations 2017 (SI 2017/752) (the “**PSRs 2017**”). The rules on strong customer authentication were to apply from 14 September 2019. The FCA has agreed an additional eighteen (18) month rollout period to 14 March 2021 under the PSRs 2017 for card-not-present e-commerce transactions, where firms can demonstrate they have taken steps to comply with the UK Finance co-ordinated plan. However, in response to the COVID-19 crisis, on 30 April 2020 the FCA announced a six month extension of that deadline to 14 September 2021. A shorter deadline of 14 March 2020 applied in respect of strong customer authentication for online banking.

2.7 **General Data Protection Regulation**

The GDPR came into force on 25 May 2018. The GDPR brought about material changes to the way data processors are regulated and affects marketing processes, particularly with respect to requirements relating to the procurement of a customer’s consent to the use of his or her personal data.

The GDPR expanded the territorial reach of data protection legislation beyond the borders of the EU and requires data controllers to map their data processes, ensuring demonstrable compliance with the provisions of the regulation. The GDPR also imposes more onerous breach reporting obligations and tougher penalties for compliance failures, with the maximum fine for certain compliance failures increasing to the greater of twenty million Euros (€20,000,000) or up to four per cent. (4%) of annual worldwide turnover.

2.8 **Anti-money laundering**

EU member states were required to transpose the 4MLD by 26 June 2017 and the 4MLD has been transposed into UK law by virtue of the MLRs 2017. The 4MLD made changes to the requirements around customer due diligence and the central register of beneficial ownership, introduced enhanced measures for politically-exposed persons, removed the automatic exemption from customer due diligence, and the application of group-wide policies and procedures to branches and majority-owned subsidiaries located in countries outside of the EU. The 4MLD also introduced a risk-based approach to customer due diligence.

The 5MLD was published in June 2018 and EU member states were required to transpose the 5MLD into national law by 10 January 2020. Although the changes introduced by the 5MLD are not as extensive as those introduced by the 4MLD, the 5MLD contains some notable

introductions including extension to virtual currencies and pre-paid cards, improved safeguards for financial transactions to/from high risk third countries, and provisions aimed at ensuring that centralised national bank and payment account registers or central data retrieval systems are accessible in all EU member states. HM Treasury has implemented the MLD 5 through amendments to the MLRs 2017.

PART XIII

TAXATION

The material set out in the paragraphs below does not constitute tax advice. Any person who is in any doubt as to their tax position or who is subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser.

1. INTRODUCTION

The following paragraphs are intended only as a general guide to current UK law and HMRC's current published practice (which may not be binding on HMRC) as of the date of this Prospectus, both of which are subject to change at any time, possibly with retroactive effect. They are not exhaustive and relate only to certain limited aspects of the UK tax consequences of the Scheme and the holding or disposing of New OSB Shares following the implementation of the Scheme.

Except where expressly stated otherwise, the paragraphs below are intended to apply only to holders of Old OSB Shares and New OSB Shares:

- (a) who are for UK tax purposes resident and, if individuals, domiciled or deemed domiciled in and only in the UK;
- (b) to whom split-year treatment does not apply;
- (c) who are the absolute beneficial owners of their Old OSB Shares or New OSB Shares and any dividends paid in respect of them;
- (d) who hold their Old OSB Shares or New OSB Shares as investments (otherwise than through an individual savings account or a pension arrangement) and not as securities to be realised in the course of a trade; and
- (e) who hold less than five per cent. (5%) of the Old OSB Shares or New OSB Shares.

The paragraphs below may not apply to certain OSB Shareholders or Shareholders, such as charities, dealers in securities, broker dealers, insurance companies and collective investment schemes, pension schemes, persons who are otherwise exempt from UK taxation, persons subject to UK tax on the remittance basis, persons who have (or could be deemed for tax purposes as having) acquired their Old OSB Shares or New OSB Shares by virtue of an office or employment (whether present, past or prospective), or persons who could be treated as holding their Old OSB Shares or New OSB Shares as carried interest. Such shareholders may be subject to special rules.

2. UK TAXATION CONSEQUENCES OF THE CANCELLATION OF OLD OSB SHARES AND THE ISSUE OF THE NEW OSB SHARES

For the purposes of UK capital gains tax and corporation tax on chargeable gains, the cancellation of the Old OSB Shares and the issue of New OSB Shares should be treated as a reorganisation of share capital. UK resident OSB Shareholders who do not hold (either alone or together with connected persons) more than five per cent. (5%) of, or of any class of, shares in or debentures of OSB should not be treated as making a disposal, for the purposes of UK tax on chargeable gains, as a result of the cancellation of Old OSB Shares and the issue to them of the New OSB Shares. Instead, the New OSB Shares issued to an OSB Shareholder should be treated as the same asset, and as having been acquired at the same time and for the same consideration, as their Old OSB Shares from which they are derived.

OSB Shareholders who hold (alone, or together with connected persons) more than five per cent. (5%) of, or of any class of, shares in or debentures of OSB will be eligible for the above treatment only if the Scheme is effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of a liability to capital gains tax or corporation tax. If these conditions are not met, then such OSB Shareholder will be treated as receiving New OSB Shares in consideration for the cancellation of their Old OSB Shares and as having made a disposal of their Old OSB Shares which may, depending on individual circumstances

and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of UK tax on chargeable gains.

Application was made to HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 to request confirmation that, based on the particulars of the Scheme that is to be affected, these conditions will be met. This confirmation has now been obtained.

3. CHARGEABLE GAINS ON DISPOSALS OF NEW OSB SHARES

3.1 Individual Shareholders

A disposal or deemed disposal of New OSB Shares may give rise to a chargeable gain (or an allowable loss) for the purposes of UK capital gains tax, depending on the circumstances and subject to any available exemption or relief.

An individual Shareholder who is resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of their New OSB Shares and after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount), are less than or equal to the upper limit of the income tax basic rate band applicable in respect of that tax year (the "**Band Limit**") will generally be subject to capital gains tax at the flat rate of ten per cent. (10%) (for the tax year 2020-21) in respect of any gain arising on a disposal or deemed disposal of their New OSB Shares.

An individual Shareholder who is resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of their New OSB Shares and after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount), are more than the Band Limit will generally be subject to capital gains tax at the flat rate of ten per cent. (10%) (for the tax year 2020-21) in respect of any gain arising on a disposal or deemed disposal of their New OSB Shares (to the extent that, when added to that Shareholder's other taxable gains and income in that tax year, the gain is less than or equal to the Band Limit) and at the flat rate of twenty per cent. (20%) (for the tax year 2020-21) in respect of the remainder.

The applicable capital gains tax annual exempt amount may be available to the extent it has not already been utilised by the individual Shareholder, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of the annual exempt amount.

Individuals who are temporarily not resident in the UK may, in certain circumstances, be subject to tax in respect of gains realised while they are not resident in the UK.

3.2 Corporate Shareholders

Where a Shareholder falls within the charge to UK corporation tax, a disposal or deemed disposal of New OSB Shares may give rise to a chargeable gain (or an allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate of corporation tax applicable to that Shareholder.

4. UK TAXATION OF DIVIDENDS

The Company is not required to withhold tax at source from dividend payments that it makes.

4.1 Individual Shareholders

The general tax treatment of dividends paid by the Company to individual Shareholders who are resident in the UK for UK tax purposes is as follows:

- (a) dividends received by individual Shareholders from the Company (or from other sources) will, except to the extent that they are earned through an individual savings account, self-invested pension plan or other regime which exempts the dividends from tax, form part of the Shareholder's total income for UK income tax purposes and will represent the highest part of that income;

- (b) a nil rate of income tax applies to the first two thousand pounds Sterling (£2,000) of the taxable dividend income received (from the Company or from other sources) by an individual Shareholder in a tax year (the “**Nil Rate Amount**”), regardless of what tax rate would otherwise apply to that dividend income; and
- (c) any taxable dividend income received by an individual Shareholder in a tax year in excess of the Nil Rate Amount will be taxed at the special rates set out below.

Where a Shareholder’s taxable dividend income for a tax year (taking into account the personal allowance to the extent available) exceeds the Nil Rate Amount, the excess amount (the “**Relevant Dividend Income**”) will be liable to income tax at the following rates for the 2020-21 tax year:

- (a) seven point five per cent. (7.5%), to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;
- (b) thirty-two point five per cent. (32.5%), to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and
- (c) thirty-eight point one per cent. (38.1%), to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the Shareholder’s total taxable dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, and in general, be treated as the highest part of the Shareholder’s total income for income tax purposes.

4.2 **Corporate Shareholders**

Shareholders within the charge to UK corporation tax that are “small companies” (for the purposes of UK taxation of dividends) will not generally be subject to tax on dividends from the Company, provided certain conditions are met, including an anti-avoidance condition.

Other Shareholders within the charge to UK corporation tax will be subject to UK corporation tax on dividends from the Company, unless the dividends fall within an exempt class and certain conditions are met. Examples of dividends that generally fall within an exempt class include:

- (a) dividends paid on non-redeemable shares that do not carry any present or future preferential rights to dividends or to the payer’s assets on its winding-up, and
- (b) dividends paid to a person holding less than ten per cent. (10%) of the issued share capital of the payer (or, if there is more than one class of share, the same class of that share capital in respect of which the distribution is made) and who is entitled to less than ten per cent. (10%) of the profits available for distribution to holders of the same class of share and would be entitled to less than ten per cent. (10%) of the assets available for distribution to holders of that same class of share on a winding-up.

These exemptions are subject to anti-avoidance rules. Each Shareholder should obtain professional advice on its own position as it will depend on its own individual circumstances.

5. **STAMP DUTY AND SDRT**

The following statements are intended as a general and non-exhaustive guide to the current UK stamp duty and SDRT position, and apply regardless of whether or not a holder of New OSB Shares is resident in the UK. It should be noted that certain categories of person, including brokers, dealers and other specified market intermediaries, may be entitled to exemption from stamp duty and SDRT in respect of purchases of securities in specified circumstances.

5.1 **Stamp duty and SDRT consequences of the Scheme**

No stamp duty or SDRT should be payable by OSB Shareholders as a result of the cancellation of Old OSB Shares pursuant to the Scheme.

No stamp duty or SDRT should generally be payable on the issue of New OSB Shares. Similarly, where New OSB Shares are credited in uncertificated form to an account in CREST, no liability to stamp duty or SDRT will generally arise.

Following the decision of the European Court of Justice in *HSBC Holdings and Vidacos Nominees* (Case 569/07) (and subsequent cases) HMRC has confirmed that it will no longer seek to impose SDRT when new shares are issued into a clearance service or depository receipt service. In its 2017 Autumn Budget the UK Government announced that it does not intend to re-introduce the charge following the UK's withdrawal from the EU. However, it is possible that the policy of the UK Government may be subject to change, or it may otherwise enact laws applicable to SDRT which may impact on the issue or transfer of New OSB Shares.

5.2 **Subsequent dealings in New OSB Shares**

Except in relation to clearance systems or depository receipt systems (to which the special rules outlined below apply), any subsequent dealings in New OSB Shares will generally be subject to UK stamp duty (if the shares are held in certificated form) at the rate of nought point five per cent. (0.5%) of the amount or value of the consideration paid for the shares (rounded up to the nearest multiple of five pounds Sterling (£5)). Certain rules may apply on transfers to connected companies (or a nominee of a connected company) which impose a charge based on the market value of the shares, if this is higher than the amount or value of consideration paid. An exemption is available where the amount or value of the consideration is (and is certified on the instrument of transfer to be) one thousand pounds Sterling (£1,000) or under and the transfer does not form part of a larger transaction (or series of transactions).

If an unconditional agreement to transfer New OSB Shares is not completed by a duly stamped transfer within six (6) years of the date of the agreement becoming unconditional, or where the transfer is effected in CREST, SDRT will be chargeable at the rate of nought point five per cent. (0.5%) of the amount or value of the consideration payable.

Stamp duty or SDRT may be charged at the higher rate of one point five per cent. (1.5%) on transfers of New OSB Shares into a clearance system or a depository receipt system. A sale of New OSB Shares within a clearance service which has not made and maintained a relevant election under section 97A(1) of the Finance Act 1986 should not give rise to an SDRT liability and should not in practice require the payment of UK stamp duty.

PART XIV

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors, whose names appear on page 6 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

2. INCORPORATION AND ACTIVITY OF THE COMPANY

The Company was incorporated and registered in England and Wales under the Companies Act as a public company limited by shares on 2 May 2019 under the name Project Cambridge ShelfCo plc, with registered number 11976839. The legal entity identifier of the Company is 213800ZBKL9BHSL2K459. It has not traded since its incorporation. The principal activity of the Company is to act as the ultimate holding company of the Group from the Scheme Effective Date.

The Company is domiciled in the UK. Its registered office is at OSB House, Quayside, Chatham Maritime, Kent ME4 4QZ. Its telephone number is 01634 848944.

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

3. SHARE CAPITAL OF THE COMPANY

3.1 *History and issued share capital of the Company*

On incorporation, the issued share capital of the Company was fifty thousand pounds Sterling (£50,000).

As at the Latest Practicable Date, the Company has no shareholders other than Andrew Golding and April Talintyre, who each hold one (1) Ordinary Subscriber Share and twenty-four thousand, nine hundred and ninety-nine (24,999) part paid Redeemable Subscriber Shares each paid up as to twenty-five (25) pence of their nominal value.

It is proposed that the Redeemable Subscriber Shares will be fully paid up by the Initial Shareholders and then redeemed and cancelled by the Company on the Scheme Effective Date.

The Initial Shareholders and the Board are expected to pass, prior to the Scheme Effective Date, resolutions in order to subdivide and consolidate (to the extent necessary) the Ordinary Subscriber Shares and any Additional Subscriber Shares such that the nominal value of such shares is equal to the nominal value of the New OSB Shares and that such shares form part of the same class of shares as the New OSB Shares and will be treated accordingly in the Scheme.

To ensure that the number of New OSB Shares allotted to each OSB Shareholder matches the number of Old OSB Shares held by each OSB Shareholder immediately prior to the Scheme Effective Date, the number of New OSB Shares to be allotted to each of the Initial Shareholders pursuant to the Scheme will be reduced by the number of ordinary shares in the Company already held by that Initial Shareholder on the Scheme Effective Date.

As at the Latest Practicable Date, the Company did not hold any New OSB Shares in treasury.

As at the Latest Practicable Date, the Company did not have any options or awards outstanding.

4. INFORMATION ABOUT THE NEW OSB SHARES

4.1 *Description and type of securities*

The New OSB Shares will be fully paid ordinary shares with a nominal value of three-hundred and four (304) pence each. On Admission, the New OSB Shares will be registered with an ISIN of GB00BLDRH360, and SEDOL of BLDRH36. It is expected that the New OSB Shares will be

traded on the main market for listed securities of the London Stock Exchange under the ticker symbol "OSB".

The New OSB Shares have been issued under the Companies Act.

On Admission, the number of New OSB Shares in issue will be equal to the number of Old OSB Shares in issue at the Scheme Record Time. The New OSB Shares will be freely transferable and there will be no restrictions on the transfer of New OSB Shares in the United Kingdom.

All New OSB Shares will rank *pari passu* in all respects, there being no conversion or exchange rights attaching to them, and all Shareholders will have equal rights to participate in capital, dividend and profit distributions by the Company, including to participate in any surplus in the event of the liquidation of the Company. On a show of hands at general meetings of the Company, every Shareholder who is present in person and every person holding a valid proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per New OSB Share.

The New OSB Shares will not carry any rights as respects to capital to participate in a distribution (including a winding-up) other than those that exist as a matter of law.

4.2 **Form and currency of the New OSB Shares**

The New OSB Shares will be in registered form and will be capable of being held in certificated and uncertificated form. The registrar of the Company is Equiniti.

The New OSB Shares are, and on Admission will be, denominated in pounds Sterling.

Title to the certificated New OSB Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New OSB Shares will be evidenced by entry in the operator register maintained by Equiniti (which will form part of the register of members of the Company).

No share certificates will be issued in respect of New OSB Shares in uncertificated form. No temporary documents of title have been or will be issued in respect of the New OSB Shares.

It is currently anticipated that the New OSB Shares will be eligible to join CREST, the computerised, paperless system for settlement of sales and purchases of shares in the London securities market, with effect immediately upon Admission and the commencement of dealings on the London Stock Exchange.

5. **RESOLUTIONS AND AUTHORITIES**

5.1 **Existing resolutions and authorities**

Prior to the Scheme Effective Date, the Initial Shareholders and the Directors will pass resolutions in order to, among other matters, authorise the Company to carry out the actions required of it in relation to the Scheme, including the approval of:

- (a) the allotment and issue to Scheme Shareholders of such New OSB Shares as is equal to the number of OSB Shares in issue at the Scheme Record Time, pursuant to the Scheme; and
- (b) the adoption of the New OSB Employee Share Plans.

It is intended that the Company will, following the Scheme Effective Date, have in place the same shareholder authorities as those applying to OSB as at the Scheme Effective Date. These authorities are as follows (each a "**Resolution**"), based on the authorities approved by OSB Shareholders at the OSB 2020 AGM:

- (1) Subject to and conditional upon the Scheme becoming effective, that the Company and its subsidiaries are authorised to apply a ratio in relation to the fixed and variable components of remuneration for individuals whose remuneration is regulated by the PRA's Remuneration Code, such that the variable component of total remuneration for such an individual does not exceed two hundred (200) per cent. of the fixed component of the total remuneration for that individual.

- (2) Subject to and conditional upon the Scheme becoming effective, to authorise the Group Audit Committee to agree the remuneration of the Auditor.
- (3) Subject to and conditional upon the Scheme becoming effective, that, in accordance with sections 366 and 367 of the Companies Act, the Company and all companies that are its subsidiaries, at any time up to the close of business on 30 June 2021 or, if earlier, the conclusion of the Annual General Meeting of the Company to be held in 2021, are authorised to:
- (a) make political donations to political parties and/or independent election candidates;
 - (b) make political donations to political organisations other than political parties; and
 - (c) incur political expenditure;

up to an aggregate total amount of £50,000, with the amount authorised for each of heads (a) to (c) above being limited to the same total.

For the purposes of this authority the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given by sections 363 to 365 of the Companies Act as at the date of this notice of meeting.

- (4) Subject to and conditional upon the Scheme becoming effective, that the Directors are generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights'):
- (a) up to a maximum aggregate nominal amount of £1,487,339; and
 - (b) comprising equity securities (within the meaning of section 560 of the Companies Act) up to a further maximum aggregate nominal amount of £1,487,339 in connection with an offer by way of a rights issue:
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to the holders of other equity securities, as required by the rights of those securities or as the Directors otherwise consider necessary,

and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems arising under the laws or the requirements of any regulatory body or stock exchange in any territory or by virtue of shares being represented by depositary receipts or any other matter.

This authority shall expire at the close of business on 30 June 2021 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2021, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired; and all authorities vested in the Directors on the date of the notice of this meeting to allot shares and grant Rights that remain unexercised at the commencement of this meeting are hereby revoked.

- (5) Subject to and conditional upon the Scheme becoming effective, that, in addition to the authority contained in Resolution 4 in the notice of this meeting, the Directors are generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:
- (a) up to a maximum aggregate nominal amount of £535,442 in relation to the issue of Regulatory Capital Convertible Instruments; and

- (b) subject to applicable law and regulation, at such conversion prices (or such maximum or minimum conversion prices or conversion price methodologies) as may be determined by the Directors of the Company from time to time.

This authority shall expire at the close of business on 30 June 2021 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2021, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares and grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authority had not expired.

- (6) Subject to and conditional upon the Scheme becoming effective, that, subject to the passing of Resolution 4 in the notice of this meeting, the Directors are empowered pursuant to sections 570 and 573 of the Companies Act to allot equity securities (within the meaning of section 560 of the Companies Act) for cash either pursuant to the authority conferred by Resolution 4 in the notice of this meeting and/or by way of a sale of treasury shares as if section 561(1) of the Companies Act did not apply to any such allotment or sale provided that this power shall be limited to:

- (a) the allotment of equity securities and/or the sale of treasury shares in connection with an offer of or invitation to acquire equity securities (but in the case of the authority granted under sub-paragraph (b) of Resolution 4 in the notice of this meeting by way of a rights issue only):

- (i) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and

- (ii) to the holders of other equity securities, as required by the rights of those securities or as the Directors otherwise consider necessary, and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems arising under the laws of or the requirements of any regulatory body or stock exchange in any territory or by virtue of shares being represented by depositary receipts or any other matter; and

- (b) the allotment of equity securities and/or sale of treasury shares (otherwise than pursuant to sub-paragraph (a) of this Resolution 6) to any person or persons up to a maximum aggregate nominal amount of £223,101.

Such power shall expire on the revocation or expiry (unless renewed) of the general authority conferred on the Directors by Resolution 4 in the notice of this meeting, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

- (7) Subject to and conditional upon the Scheme becoming effective, that, subject to the passing of Resolution 4 in the notice of this meeting and in addition to the power contained in Resolution 6 in the notice of this meeting, the Directors are empowered pursuant to sections 570 and 573 of the Companies Act to allot equity securities (within the meaning of section 560 of the Companies Act) for cash pursuant to the authority conferred by Resolution 4 in the notice of this meeting and/or by way of a sale of treasury shares as if section 561(1) of the Companies Act did not apply, provided that this power is:

- (a) limited to the allotment of equity securities and/or sale of treasury shares up to an aggregate nominal value of £223,101; and

- (b) used only for the purposes of financing (or refinancing, if the power is to be exercised within six months after the date of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a

kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the notice of this meeting.

Such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 4 in the notice of this meeting, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

- (8) Subject to and conditional upon the Scheme becoming effective, that, subject to the passing of Resolution 5 in the notice of this meeting and in addition to the powers contained in Resolutions 6 and 7 in the notice of this meeting, the Directors are empowered pursuant to sections 570 and 573 of the Companies Act to allot equity securities (within the meaning of section 560 of the Companies Act) for cash either pursuant to the authority conferred by Resolution 5 in the notice of this meeting and/or by way of a sale of treasury shares as if section 561 of the Companies Act did not apply to any such allotment or sale.

Such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 5 in the notice of this meeting, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

- (9) Subject to and conditional upon the Scheme becoming effective, that the Company is generally and unconditionally authorised for the purpose of section 701 of the Companies Act to make market purchases (within the meaning of section 693(4) of the Companies Act) of ordinary shares in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:
- (a) the maximum aggregate number of ordinary shares hereby authorised to be acquired is 44,620,136;
 - (b) the minimum price (excluding expenses) which may be paid for any such share is its nominal value;
 - (c) the maximum price (excluding expenses) which may be paid for any such share is the higher of (i) an amount equal to 5% above the average of the middle market quotations for an ordinary share in the Company as derived from The London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which such share is contracted to be purchased; and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share in the Company on the trading venues where the market purchases by the Company is carried out;
 - (d) the authority hereby conferred shall expire at the close of business on 30 June 2021 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2021 unless previously renewed, varied or revoked by the Company in general meeting; and
 - (e) the Company may, before this authority expires, make a contract to purchase its ordinary shares which would or might be executed wholly or partly after the expiry of this authority, and may purchase its ordinary shares pursuant to it as if this authority had not expired.
- (10) Subject to and conditional upon the Scheme becoming effective, that a general meeting of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

6. MAJOR SHAREHOLDERS (AS AT THE LAST PRACTICABLE DATE)

As at the Latest Practicable Date, and so far as is known to the Company by virtue of the notifications made to OSB pursuant to the Companies Act, the Market Abuse Regulation and/or the Disclosure Guidance and Transparency Rules, the following will, on Admission, be directly or indirectly interested in three per cent. (3%) or more of the Company's issued share capital:

Name of shareholder	Percentage of total voting rights
Jupiter Fund Management Plc	16.06%
Elliot Capital Advisors LP	9.87%
BlackRock, Inc	5.83%
Standard Life Aberdeen plc	5.54%
Norges Bank	3.09%
Eleva Capital SAS	3.00%

None of the Company's major shareholders have or will have different voting rights attached to the shares they hold in the Company.

7. THE COMPANY'S ARTICLES OF ASSOCIATION

The Articles were adopted by a special resolution of the Initial Shareholders on 28 February 2020 conditional upon the Scheme becoming effective. The objects of the Company are unrestricted.

As at the date of publication of this Prospectus, the Company has in issue two classes of shares:

- (a) ordinary shares with a nominal value of one hundred (100) pence each which have attached to them full voting, dividend and capital distribution rights, including on a winding up, without any rights of redemption; and
- (b) redeemable preference shares with a nominal value one hundred (100) pence each which do not carry any voting rights and are redeemable at the request of the individual shareholders and convertible into ordinary shares, but otherwise have the same rights attaching to them as the ordinary shares described in paragraph (a) above.

8. DIRECTORS AND SENIOR MANAGEMENT

8.1 *Directorships and partnerships outside the OSB Group*

The details of those companies and partnerships outside the OSB Group of which the Directors and Senior Managers are currently directors or partners, or have been directors or partners at any time during the five (5) years prior to the publication of this Prospectus, are as follows:

Name	Current directorships and partnerships	Previous directorships and partnership
Directors		
David Weymouth	FIL Investment Services (UK) Limited FIL Holdings (UK) Limited Mizuho International plc Royal London Mutual Insurance Society Limited	Bank of Ireland (UK) plc Financial Services Compensation Scheme (resigned 2016) FIL Investment Advisors (UK) Limited FIL Investments International FIL Pensions Management FIL Retirement Services Limited Financial Administration Services Limited
Andy Golding	Building Societies Trust Limited Kent Reliance Provident Society Limited	Kreditech Holding SSL GmbH
April Talintyre	Kent Reliance Provident Society Limited	n/a

Name	Current directorships and partnerships	Previous directorships and partnership
Directors		
Noël Harwerth	Scotiabank Europe plc UK Export Finance Board	Standard Life Aberdeen plc GE Capital Bank Limited Sumitomo Mitsui Banking Corporation Europe Limited Alent Limited The London Metal Exchange Standard Life Assurance Limited CHAPS Clearing Company Limited London First British Horseracing Authority Limited Sirius Minerals plc
Graham Allatt	n/a	n/a
Sarah Hedger	Lincolns Island Limited Balta Group NV (listed on Euronext)	GE Capital EMEA Services Limited
Rajan Kapoor	Allica Limited	National Westminster International Holdings B.V. National Westminster Finance B.V. RBS AA Holdings (Netherlands) B.V. RBS Netherlands Holdings B.V.
Mary McNamara	Motorpoint Group Plc	Dignity Plc The Leasing Industry Philanthropic and Research Foundation Limited
Name	Current directorships and partnerships	Previous directorships and partnership
Senior Managers		
Jens Bech	Highview Residents Management Company Limited	n/a
Alan Cleary	n/a	MBAC Consulting LLP (dissolved 2016) Intermediary Lenders Association (resigned 2016) Edeus Mortgage Creators Limited (dissolved 2016)
Richard Davis	n/a	n/a
Peter Elcock	Cornhill Consulting Limited	Cornhill Consulting Services LLP (dissolved 2016)
Jason Elphick	n/a	n/a
John Gaunt	n/a	n/a
Hasan Kazmi	n/a	n/a
Clive Kornitzer	Kent Reliance Provident Society Limited	n/a
Lisa Odendaal	Oak Lodge Consultants Limited	n/a
Paul Whitlock	n/a	n/a
Richard Wilson	n/a	n/a

8.2 **Conflicts of interest**

There are no actual or potential conflicts of interest between the duties owed by the Directors or the Senior Managers to the Company and their private interests and/or other duties that they may also have.

8.3 **Directors' and Senior Managers' confirmations**

- (A) As at the date of this Prospectus, no Director or Senior Manager has during the last five (5) years:
- (i) been convicted in relation to fraudulent offences;
 - (ii) been associated with any bankruptcy, receivership, liquidation or companies put into administration while acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager of any company;
 - (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies); or
 - (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of any company.
- (B) No Director or Senior Manager was selected to act in such capacity pursuant to any arrangement or understanding with any shareholder, consumer, supplier or any other person having a business connection with the OSB Group.
- (C) There are no family relationships between any of the Directors and/or the Senior Managers.
- (D) There are no outstanding loans or guarantees granted or provided by any member of the OSB Group for the benefit of any of the Directors or Senior Managers.

8.4 **Interests of Directors and Senior Managers in the share capital of the Company and of OSB**

(A) *Issued share capital of the Company*

As at the date of this Prospectus, the Directors and Senior Managers have no interest in the share capital of the Company, other than:

- (i) Andrew Golding (one (1) fully paid ordinary share of one hundred (100) pence and twenty-four thousand, nine hundred and ninety-nine (24,999) part paid redeemable preference shares of one hundred (100) pence each paid up as to twenty-five (25) pence of their nominal value); and
- (ii) April Talintyre (one (1) fully paid ordinary share of one hundred (100) pence and twenty-four thousand, nine hundred and ninety-nine (24,999) part paid redeemable preference shares of one hundred (100) pence each paid up as to twenty-five (25) pence of their nominal value).

Following Admission, the interests of the Directors and Senior Managers in the share capital of the Company will be based on the number of Old OSB Shares owned and the number of Old OSB Shares subject to awards that will be unvested at that time, which, as at the Latest Practicable Date, is expected to be as follows.

(B) *Issued OSB share capital*

Set out below are the interests (all of which are beneficial) as at the Latest Practicable Date of the Directors and the Senior Managers in the share capital of OSB. Upon the Scheme becoming effective, each Director and Senior Manager will receive one New OSB Share for each Old OSB Share held at the Scheme Effective Date.

Name	Number of Old OSB Shares	% of issued share capital of OSB
OSB Directors		
David Weymouth	18,678	0.004
Andy Golding	595,895	0.134
April Talintyre	268,122	0.060
Noël Harwerth	nil	nil
Graham Allatt	nil	nil
Sarah Hedger	nil	nil
Rajan Kapoor	19,970	0.004
Mary McNamara	39,350	0.009
OSB Senior Management		
Jens Bech	188,083	0.042
Alan Cleary	1,196,562	0.268
Richard Davis	76,700	0.017
Peter Elcock	124,112	0.028
Jason Elphick	25,001	0.006
John Gaunt	74,907	0.017
Hasan Kazmi	52,111	0.012
Clive Kornitzer	135,534	0.030
Lisa Odendaal	33,873	0.008
Paul Whitlock	76,099	0.017
Richard Wilson	72,370	0.016

(C) *Awards over OSB Shares*

The following table sets out details of the options and awards over Old OSB Shares held by the Directors and Senior Managers as at the Latest Practicable Date which will be rolled over into, or exchanged for equivalent awards of New OSB Shares on Admission.

Name	Number of Old OSB Shares subject to awards
OSB Directors	
David Weymouth	nil
Andy Golding	953,809
April Talintyre	645,131
Noël Harwerth	nil
Graham Allatt	nil
Sarah Hedger	nil
Rajan Kapoor	nil
Mary McNamara	nil
OSB Senior Management	
Jens Bech	301,237
Alan Cleary	295,120
Richard Davis	117,558
Peter Elcock	292,920
Jason Elphick	242,916
John Gaunt	117,039
Hasan Kazmi	252,957
Clive Kornitzer	298,541
Lisa Odendaal	217,005
Paul Whitlock	149,107
Richard Wilson	204,651

Save as set out above, no Director or Senior Manager has any interests in the share capital or any other securities of the Company or the OSB Group.

8.5 **Directors' Service Contracts and Letters of Appointment**

(A) *Executive Directors*

Transfer of Employment to the Company

As at the date of publication of this Prospectus, the Executive Directors are employed by OSB pursuant to service contracts between each Executive Director and OSB (the "**Service Contracts**") that set out their duties and responsibilities. It is intended that, with effect from the Scheme Effective Date, the employment of the Executive Directors will be transferred from OSB to the Company on the terms and conditions of the Service Contracts. The only change as a consequence of such transfer will be the change to the Executive Directors' employing entity. As there will be no other changes to the terms and conditions of each Executive Director's employment, the Company will not enter into new service contracts with each Executive Director but will instead adopt the existing Service Contracts (with references to the OSB Group instead referring to the Group).

General Terms

Name	Position	Commencement of employment	Notice period
Andy Golding	Chief Executive Officer	30 December 2011	Twelve (12) months
April Talintyre	Chief Financial Officer	9 May 2012	Twelve (12) months

Termination Provisions

The Service Contracts have an indefinite term.

The Service Contracts can be terminated by either the relevant Executive Director or OSB giving the other twelve (12) months' written notice of termination. Notice of termination can be served at any time after the relevant Executive Director has been appointed.

At OSB's discretion a payment in lieu of basic salary only for all or part of the notice period may be made. Any such payment will (unless OSB determines otherwise) be paid in instalments during the remainder of what would have been the notice period and can be reduced to the extent that the Executive Director receives alternative income during such time. The Executive Director is under an express obligation to mitigate loss by taking all reasonable steps to obtain such alternative income.

The Service Contracts can be terminated with immediate effect without notice in certain circumstances, including gross misconduct, fraud or financial dishonesty, bankruptcy, failure to have the necessary regulatory approvals, failure to meet the standards required by regulation or material breach of obligations under the relevant Service Contract.

Each of the Service Contracts include the following provisions that apply following termination of the relevant Service Contract any (less time spent on garden leave):

- (a) six (6) month post-termination restriction against competing with the OSB Group; and
- (b) nine (9) month post-termination restrictions against dealing with customers or suppliers of the OSB Group and against soliciting customers, prospective customers and key employees

(B) *Non-Executive Directors*

Appointment to the Board

As at the date of this Prospectus, each of the Non-Executive Directors is appointed to the OSB Board and to the Board.

Each Non-Executive Director is appointed to the OSB Board pursuant to letters of appointment (the "**Letters of Appointment**") that set out their duties and responsibilities and the terms and conditions of their appointments to the OSB Board. The Letters of Appointment are in substantially the same form and set out the same terms and conditions.

The Letters of Appointment for each of David Weymouth, Graham Allatt, Mary McNamara and Sarah Hedger also set out the terms and conditions of their appointment to the Board.

It is intended that, with effect from the Scheme Effective Date, the Letters of Appointment for each of Noël Harwerth and Rajan Kapoor will be extended to apply to their appointment to the Board. As a consequence, with effect from the Scheme Effective Date, all Non-Executive Directors will be appointed to the Board on the same terms and conditions on which they are currently appointed to the OSB Board. Appointment to the OSB Board prior to appointment to the Board will count towards the period of appointment to the Board.

General Terms

Name	Position	Commencement of engagement	Notice period
David Weymouth	Non-Executive Chairman	1 September 2017	Three (3) months
Noël Harwerth	Senior Independent Director	4 October 2019	Three (3) months
Graham Allatt	Independent Non-Executive Director	6 May 2014	Three (3) months
Mary McNamara	Independent Non-Executive Director	6 May 2014	Three (3) months
Rajan Kapoor	Independent Non-Executive Director	4 October 2019	Three (3) months
Sarah Hedger	Independent Non-Executive Director	1 February 2019	Three (3) months

Termination Provisions

Each Non-Executive Director has been appointed to the OSB Board for an initial three (3) year term.

Each Letter of Appointment can be terminated by either the relevant Non-Executive Director or by OSB giving the other three (3) months' written notice of termination. At OSB's discretion a payment in lieu of basic salary only for all or part of the notice period may be made.

Each Letter of Appointment is also terminable with immediate effect and without compensation or payment in lieu of notice if the Non-Executive Director is not re-elected to their position as a director by shareholders and in certain circumstances including fraud or financial dishonesty, bankruptcy, failure to have the necessary regulatory approvals (if relevant) or material breach of obligations.

Following termination of his or her appointment, each Non-Executive Director is required to comply with any handover obligations, including participating in an exit interview.

8.6 **Directors' and Senior Managers' remuneration**

Details of remuneration paid to the Directors as OSB Directors for the year ended 31 December 2019 are set out below:

Executive Director	Basic Salary £'000	Taxable benefits⁽¹⁾ £'000	Pension £'000	Annual bonus paid⁽²⁾ £'000	Amount bonus deferred⁽²⁾ £'000	LTIP £'000	Total £'000
Andy Golding	516	21	67	296	296	413	1,609
April Talintyre	347	16	45	199	199	219	1,025

(1) Taxable benefits received include car allowance (CEO £20,000; CFO £15,000) and private medical cover.

(2) 50% of bonus is payable in cash and 50% in shares deferred for three years.

Director	Total fees (£)
Chairman	
David Weymouth	250,000
Non-Executive Directors	
Noël Harwerth	31,000 ⁽¹⁾
Graham Allatt	91,000
Sarah Hedger	67,000
Rajan Kapoor	29,000 ⁽¹⁾
Mary McNamara	90,000

(1) Total fees shown here are those which cover the period from 4 October 2019 to 31 December 2019 only.

8.7 **Total remuneration for the Directors and Senior Managers**

The aggregate remuneration paid (including salary, other benefits and share-based payments) to the Directors and Senior Managers by the OSB Group for services in all capacities to it in respect of the year ended 31 December 2019 was approximately nine million, four hundred and seven thousand pounds Sterling (£9,407,000) (inclusive of pensions and benefits).

8.8 **Pension entitlements**

The aggregate amount set aside or accrued by the OSB Group to provide pension, retirement or similar benefits for the Directors and the Senior Managers for the year ended 31 December 2019 was one hundred and fifty-seven thousand pounds Sterling (£157,000).

8.9 **Overview of remuneration strategy and policy**

On 7 May 2020, OSB obtained approval from OSB Shareholders for its directors' remuneration policy in accordance with section 439A of the Companies Act. As a newly-incorporated company listed on the London Stock Exchange, the Company is required to obtain shareholder approval of its directors' remuneration policy under section 439A of the Companies Act at its first annual general meeting following Admission. It is, however, the current intention of the New OSB Remuneration Committee that it will, when determining the remuneration of the Directors, take account of the OSB Directors' remuneration policy last approved by OSB Shareholders.

(A) *Base salary*

The purpose of base salary is to reward individuals for the role and duties required and to recognize their experience, responsibility and performance.

Base salaries are usually reviewed annually and increases for Executive Directors will generally be broadly in line with the average of the workforce. As part of the salary review process the Remuneration Committee takes into account individual and corporate performance and the external market.

(B) *Pension and benefits*

Consistent with the UK Corporate Governance Code and investor expectations, the pension arrangements for Executive Directors are aligned with the policy for the majority of the workforce, with contributions of eight per cent. (8%) of salary.

The purposes of benefits is to provide market-competitive benefits and to ensure the well-being of employees. OSB currently provides a car allowance, life assurance, income protection, private medical insurance and other benefits as appropriate for the role.

(C) *Annual incentive*

The maximum annual bonus opportunity for Executive Directors is one hundred and ten per cent. (110%) of base salary. The amount of the annual bonus is determined based on the achievement of performance metrics (balanced scorecard and individual performance targets) and is paid fifty per cent. (50%) in cash and fifty per cent. (50%) in shares, which are subject to a three (3) year holding period.

(D) *Long-term incentive*

Awards under the Group PSP are subject to a three (3) year performance period and vest in equal twenty per cent. (20%) tranches annually on the date the relevant performance conditions are assessed and the first four anniversaries of that date, subject to a one (1) year holding period post-vesting (see section 9 below).

(E) *Share ownership guidelines*

Executive Directors and Senior Managers are subject to minimum shareholding requirements. The Chief Executive Officer is required to maintain a minimum shareholding of two hundred and fifty per cent. (250%) and the Chief Financial Officer is required to maintain minimum shareholding of two hundred per cent. (200%). Old OSB Share awards that have already met their performance criteria will count towards that requirement (based on their net of tax value), although these awards may be subject to a holding period.

(F) *Recruitment policy*

The remuneration package for a new Executive Director would be set in accordance with OSB's approved remuneration policy from time to time.

(G) *Termination policy*

On termination (other than for gross misconduct), Executive Directors would be contractually entitled to salary, pension contributions and contractual benefits for the notice period. If OSB exercises its discretion to make a payment in lieu of notice, such payment would consist of base salary only and, unless OSB determines otherwise, would be paid in instalments and subject to mitigation.

The default position is that Executive Directors will not receive an annual bonus following termination of employment and that any long-term incentive awards would lapse. In certain good leaver situations OSB may determine that a pro rata bonus and/or the vesting of long-term incentive awards is appropriate.

9. EMPLOYEE SHARE PLANS

9.1 *Group PSP*

The Group PSP was adopted by the Board on 25 August 2020, conditional on Admission. The Group PSP is a discretionary share plan, under which the New OSB Remuneration Committee may grant Group PSP Awards to incentivise and retain eligible employees. The Group PSP will be administered by the New OSB Remuneration Committee or by any sub-committee or person duly authorised by it.

(A) *Individual limit*

Awards will not normally be granted to a participant under the Group PSP over New OSB Shares with a market value (as determined by the New OSB Remuneration Committee) in excess of two hundred per cent. (200%) of salary, in respect of any financial year of the Company. Awards may be granted in excess of this limit to an eligible employee in connection with their recruitment by way of compensating them for any awards forfeited as a result of leaving their former employer (a "**Recruitment Award**").

(B) *Performance conditions*

The vesting of Group PSP Awards may (and, in the case of a Group PSP Award to an Executive Director, other than a Recruitment Award, will, to the extent required by the Remuneration Policy) be subject to the satisfaction of performance conditions.

Any performance condition may be amended in accordance with its terms or if anything happens which causes the New OSB Remuneration Committee reasonably to consider it appropriate to amend the performance conditions, provided that the New OSB Remuneration Committee considers that any amended performance condition would not be materially less or more challenging to satisfy.

(C) *Vesting and release of Group PSP Awards*

Group PSP Awards which are subject to performance conditions will normally have those conditions assessed as soon as reasonably practicable after the end of the relevant performance period. The New OSB Remuneration Committee will determine the extent to which the Group PSP Awards will then vest, taking into account the extent that the performance conditions have been satisfied, the underlying performance of the Company and such other factors the New OSB Remuneration Committee considers, in its opinion, relevant. To the extent that they vest, Group PSP Awards will normally vest on the vesting date set by the New OSB Remuneration Committee at grant.

The New OSB Remuneration Committee may also determine at grant that a Group PSP Award is subject to an additional holding period following vesting, during which New OSB Shares subject to the Group PSP Award may not be delivered to participants and at the end of which the Group PSP Award will be “released” (i.e. may be sold by participants).

9.2 **Group DSBP**

The Group DSBP was adopted by the Board on 25 August 2020, conditional on Admission. The Group DSBP will be administered by the New OSB Remuneration Committee or by any sub-committee or person duly authorised by it. The Group DSBP is a discretionary share plan implemented so that a portion of a participant’s annual bonus can be deferred into a share-based award (a “**Group DSBP Award**”). Group DSBP Awards will normally vest on the date as the New OSB Remuneration Committee determines on grant.

Group DSBP Awards may also be granted to facilitate the recruitment of an eligible employee by way of compensating them for any awards forfeited as a result of leaving their former employer.

9.3 **Group Sharesave**

The Group Sharesave was adopted by the Board on 25 August 2020, conditional on Admission. The Group Sharesave is an all-employee share option plan which has been designed to meet HMRC requirements so that UK employees can acquire New OSB Shares under the Group Sharesave in a tax-efficient manner.

(A) *Eligibility*

Each time that the Board decides to make an award under the Group Sharesave, all UK resident tax-paying employees and full-time directors of the members of the Group participating in the Group Sharesave must be offered the opportunity to participate. Other employees of the Group may be permitted to participate at the Board’s discretion. Employees who are invited to participate must have completed a minimum qualifying period of employment (as determined by the Board in line with the relevant legislation) before they can participate.

(B) *Savings contract*

Under the Group Sharesave, eligible employees may enter into a linked savings contract to make savings over a three (3) or five (5) year period. Monthly savings by an employee under all savings contracts linked to options granted under any tax-advantaged savings-related share option plan may not exceed the statutory maximum, which is currently set at five hundred pounds Sterling (£500). The Board may set a lower limit in relation to any particular grant. At the end of the three (3) or five (5) year savings contract, employees may either withdraw their savings on a tax-free basis or use their savings to acquire New OSB Shares.

(C) *Exercise price*

The proceeds of the savings contract can be used to exercise an option to acquire New OSB Shares at an exercise price per New OSB Share set at the date of invitation (or such other date as may be specified in the invitation in line with the relevant legislation). The exercise price may not be manifestly less than eighty per cent. (80%) (or such other percentage as may be permitted by the relevant legislation) of the market value of a New OSB Share at the date of invitation. The exercise price will be set using prices taken from

a period of forty-two (42) days beginning on: (a) Admission; (b) the first dealing day after the announcement of the Company's results for any period; (c) the day on which an announcement is made of an amendment to the sharesave legislation or such legislation comes into force; (d) the day on which a new HMRC-approved savings contract is announced; (e) any day on which the Board determines that exceptional circumstances exist which justify the issue of invitations under the Group Sharesave at that time; or to the extent that share dealing restrictions apply in any of the preceding five (5) periods, (f) the dealing day on which such dealing restrictions are lifted.

(D) *Exercise of options*

Ordinarily, an option may be exercised within six (6) months of the date that the savings contract matures. Options not exercised by the end of this period will lapse.

(E) *Cessation of employment*

Options will normally lapse immediately upon a participant ceasing to be employed by, or hold office with, the Group. However, if a participant ceases to hold office or employment because of injury, disability, redundancy, retirement or the sale of the individual's employing company or business out of the Group, their option will not lapse and may be exercised early for a period of up to six (6) months after cessation of office or employment. If a participant dies, their option may be exercised for twelve (12) months after their death by their personal representatives.

(F) *Corporate events*

In the event of a change of control or winding-up of the Company, any outstanding options may be exercised early. Alternatively, the Board may permit options to be exchanged for equivalent options over shares in a different company (including the acquiring company). If the change of control is an internal reorganisation of the Group, options will lapse unless the participants agree to exchange their outstanding options for equivalent options over shares in the new holding company.

(G) *Adjustments*

In the event of a variation of the Company's share capital, the Board may adjust the number of New OSB Shares subject to options and/or the exercise price applicable to options in such manner as it determines.

(H) *Rights attaching to New OSB Shares*

Options granted under the Group Sharesave will not confer rights on any participant unless and until that participant has exercised their options and received the underlying New OSB Shares. Any New OSB Shares issued will rank equally with other New OSB Shares then in issue (except for rights arising by reference to a record date prior to their issue).

9.4 **Terms common to the Group Executive Plans**

(A) *Eligibility*

All employees (including the Executive Directors) of the Group (and, in the case of the Group DSBP, former employees where it is determined that the former employee should be eligible to receive a bonus for a period prior to his termination of office or employment (a "**Former Employee**")) are eligible for selection to participate in the Group Executive Plans at the discretion of the New OSB Remuneration Committee.

(B) *Timing of awards*

Group PSP and Group DSBP Awards (together, the "**Executive Awards**") can only be granted: (i) during the forty-two (42) days beginning on: (a) Admission; (b) the first Business Day after the announcement of the Company's results for any period; (c) the day on which the Remuneration Policy (or amendment to it) is approved by the Company in general meeting; or (d) to the extent that share dealing restrictions apply in any of the preceding three (3) periods, the first dealing day on which such dealing restrictions are lifted; or (ii) on any other day on which the New OSB Remuneration Committee determines

that exceptional circumstances exist which justify the making of an Executive Award at that time.

(C) *Form of awards*

The New OSB Remuneration Committee may grant Executive Awards as conditional awards of New OSB Shares or nil or nominal-cost options over New OSB Shares. No payment is required for the grant of an Executive Award. Executive Awards structured as nil or nominal-cost options will normally be exercisable from the point of vesting (or, where a Group PSP Award is subject to a holding period, release) until the tenth anniversary of the grant date. Where a Group DSBP Award structured as an option is granted to a Former Employee, it will normally be exercisable for a period of twelve (12) months from the vesting date set at grant.

(D) *Settlement*

The New OSB Remuneration Committee may, in its discretion, decide to satisfy an Executive Award with a cash payment equal to the market value of the New OSB Shares that the participant would have received had the relevant Executive Award been satisfied with New OSB Shares.

(E) *Dividend equivalents*

If the New OSB Remuneration Committee so determines (and only to the extent permissible by law or regulation), participants will receive an amount (in additional New OSB Shares, unless the New OSB Remuneration Committee decides it will be paid (in full or in part) in cash) equal to the value of any dividends which would have been paid on New OSB Shares subject to an Executive Award which vest by reference to record dates during a period set by the New OSB Remuneration Committee beginning no earlier than the grant date and ending on the date on which the Executive Award vests or, if there is a holding period applicable to a Group PSP Award, is released. This amount may assume the reinvestment of dividends and exclude or include special dividends.

(F) *Malus and clawback*

In certain circumstances the New OSB Remuneration Committee may at any time prior to the seventh anniversary of the date of grant of an Executive Award (or, if an investigation into the conduct or actions of any participant or any member of the Group has started, such later date as the New OSB Remuneration Committee may determine in order to allow the investigation to be completed) to: (a) reduce an Executive Award (to zero if appropriate) (*malus*); or (b) require that the participant either return some or all of the New OSB Shares acquired pursuant to the Executive Award or make a cash payment to the Company in respect of the New OSB Shares delivered (*clawback*).

The New OSB Remuneration Committee may invoke these malus and clawback provisions in the following circumstances:

- (a) a material misstatement in the published results of the Company or Group or a member of the Group;
- (b) an error in determining the amount of the annual incentive or the number of New OSB Shares subject to an Executive Award, or in assessing any performance conditions (as applicable);
- (c) the determination of the number of New OSB Shares subject to an Executive Award, any annual bonus, or the assessment of any performance conditions being based on inaccurate or misleading information;
- (d) a material failure of risk management by a member of the Group or business unit;
- (e) a material breach of any applicable law, regulation or code of practice;
- (f) gross misconduct on the part of the relevant participant or the participant failing to meet the required standards of fitness and propriety;

- (g) the New OSB Remuneration Committee discovering reasonable evidence of the participant's misbehaviour or material error;
- (h) where the New OSB Remuneration Committee determines that the participant is responsible for or had management oversight over a member of the Group receiving censure by a regulatory body or suffering a significant detrimental impact on its reputation;
- (i) where the New OSB Remuneration Committee determines that the participant is responsible for or had management oversight over a significant loss to the Company or Group; or
- (j) the Company or a material proportion of the Group becoming insolvent or suffering corporate failure.

The New OSB Remuneration Committee may also apply malus to awards in the event of a material downturn in the financial performance of a member of the Group or business unit; if the New OSB Remuneration Committee determines that there is a difference between a member of the Group's risk estimates and the actual outcome; or if the satisfaction of the award would negatively impact the sustainable financial situation of a member of the Group.

(G) *Cessation of employment*

Classification of "good leavers"

An unvested Group PSP Award will usually lapse upon a participant ceasing to be employed by or to hold office with the Group. If, however, a participant ceases to be an employee or director of the Group because of their ill-health, injury, disability, redundancy, the sale of the participant's employing company or business out of the Group or in other circumstances at the discretion of the New OSB Remuneration Committee (i.e. they leave as a "good leaver"), their Group PSP Award will normally continue to vest (and be released) on the date when it would have vested (and been released) if they had not ceased to be an employee or director of the Group.

If a participant ceases to be employed or hold office with the Group for any reason other than death or summary dismissal, they will be treated as a "good leaver" and any unvested Group DSBP Awards will normally vest as if they had not ceased to be an employee or director of the Group. If any participant is summarily dismissed, his Group DSBP Awards will lapse.

If the participant ceases to be an employee or director of the Group as a result of his employing company or business being sold out of the Group, the New OSB Remuneration Committee may require that the Executive Award is exchanged for an equivalent award over shares in another company.

Death

If a participant dies, their Executive Award will vest (and, in the case of a Group PSP Award subject to a holding period, be released) on the date of their death on the basis set out for other "good leavers" below. Alternatively, the New OSB Remuneration Committee may decide that unvested Executive Awards will vest on the date they would have vested if the participant had not died on the basis set out for other "good leavers" above.

Extent of vesting – Group PSP awards

The extent to which Group PSP Awards vest in these circumstances will be determined by the New OSB Remuneration Committee, taking into account the satisfaction of any performance conditions applicable to Group PSP Awards measured over the original performance period, the underlying performance of the Company and such other factors the New OSB Remuneration Committee considers, in its opinion, relevant. The New OSB Remuneration Committee retains discretion, however, to allow the Group PSP Award to vest (and be released) following the individual's cessation of office or employment, taking into account any applicable performance conditions measured up to that point or, where the participant is a "good leaver" as a result of his employing company or business being

sold out of the Group, to require that the Group PSP Award is exchanged for an equivalent award over shares in another company.

Unless the New OSB Remuneration Committee decides otherwise, the extent to which a Group PSP Award vests will also take into account the proportion of the performance period (or, in the case of a Group PSP Award not subject to performance conditions, the vesting period) which has elapsed on the cessation of the participant's office or employment with the Group.

Group PSP holding periods

If a participant ceases to be an officer or employee of the Group during a holding period in respect of a Group PSP Award for any reason other than summary dismissal, their Group PSP Award will normally be released at the end of the holding period, unless the New OSB Remuneration Committee determines that it should be released on the cessation of their office or employment. If a participant dies during the holding period, their Group PSP Award will be released on the date of death (unless the New OSB Remuneration Committee decides they will be released at the end of the normal holding period). If a participant is summarily dismissed, any outstanding Group PSP Awards they hold will immediately lapse.

Extent of vesting – Group DSBP awards

In the "good leaver" circumstances referred to above, a Group DSBP Award will vest in full as if the participant had not ceased to be a Group employee or director unless the New OSB Remuneration Committee determines that the Group DSBP Award shall vest in its entirety following the individual's cessation of office or employment. Where a Former Employee has been granted a Group DSBP Award, the "good leaver" provisions set out above will not apply.

Awards structured as nil or nominal-cost options

Executive Awards structured as nil or nominal-cost options which do not lapse may normally be exercised to the extent vested for a period of twelve (12) months after vesting (or, where Group PSP Awards are subject to a holding period, release). Where nil or nominal-cost options have already vested (and, where relevant, been released) on the date of cessation of office or employment, those options may normally be exercised for a period of twelve (12) months from the date of cessation, unless the participant is summarily dismissed, in which case their options will lapse. If a participant dies, a vested (and, where relevant, released) option may normally be exercised until the first anniversary of their death.

(H) *Corporate events*

In the event of a change of control of the Company, or a resolution being passed or order made for the winding-up of the Company, Executive Awards will normally vest (and be released) early. The proportion of any unvested Group PSP Awards which vest will be determined by the New OSB Remuneration Committee, taking into account the extent to which any performance conditions applicable to Group PSP Awards have been satisfied at that time, the underlying performance of the Company and such other factors the New OSB Remuneration Committee considers, in its opinion, relevant, and, unless the New OSB Remuneration Committee determines otherwise, the proportion of the performance period, or in the case of Group PSP Awards not subject to performance conditions, the vesting period, which has elapsed. Group DSBP Awards will vest in full. Awards structured as nil or nominal-cost options may then normally be exercised for a period of one (1) month, after which they lapse.

Alternatively, the New OSB Remuneration Committee may require that Executive Awards are exchanged for equivalent awards over shares in another company (subject to the acquiring company's consent).

If other corporate events occur such as a variation of the share capital of the Company, a demerger, special dividend or other transaction which, in the New OSB Remuneration Committee's opinion, would materially affect the value of New OSB Shares and which the

New OSB Remuneration Committee determines cannot be appropriately dealt with by exchange or adjustment (see (I) below), the New OSB Remuneration Committee may determine that Executive Awards will vest (and be released) on the same basis as for a change of control.

(I) *Variation of capital*

If there is a variation of the share capital of the Company or in the event of a demerger, special dividend or other transaction which in the New OSB Remuneration Committee's opinion will materially affect the value of New OSB Shares, the New OSB Remuneration Committee may provide for the Executive Award to be automatically exchanged for an equivalent award over shares in another company, unless it determines that it will make such adjustments to the number or class of shares subject to Executive Awards, the exercise price and/or any performance condition applicable to Group PSP Awards, and/or change the identity of the company whose shares are subject to the Executive Award, in each case as it considers appropriate.

(J) *Rights attaching to New OSB Shares*

New OSB Shares issued and/or transferred under the Group Executive Plans will not confer rights on any participant until that participant has received the underlying New OSB Shares. Any New OSB Shares issued will rank equally with New OSB Shares then in issue (except for rights arising by reference to a record date prior to their issue).

9.5 **Terms common to the New OSB Employee Share Plans**

(A) *Overall limits*

The New OSB Employee Share Plans may operate over new issue New OSB Shares, treasury New OSB Shares or New OSB Shares purchased in the market. The rules of the New OSB Employee Share Plans provide that, in any ten (10) year rolling period, the number of New OSB Shares which may be issued under the New OSB Employee Share Plans and any other employee share plan adopted by the Company may not exceed ten per cent. (10%) of the issued ordinary share capital of the Company from time to time. In addition, in any ten (10) year period, the number of New OSB Shares which may be issued under the Group Executive Plans and any other discretionary employee share plan adopted by the Company may not exceed five per cent. (5%) of the issued ordinary share capital of the Company from time to time.

New OSB Shares transferred out of treasury will count towards these limits for so long as this is required under institutional shareholder guidelines. Awards granted over New OSB Shares in exchange for awards over Old OSB Shares granted after Admission, which are outstanding at the Scheme Record Time, will also be counted towards these limits. However, awards granted prior to the Admission to trading of New OSB Shares or which are relinquished or lapse will be disregarded for the purposes of these limits.

(B) *Amendments*

The Board (or, in the case of the Group Executive Plans, the New OSB Remuneration Committee) may, at any time, amend the provisions of the New OSB Employee Share Plans in any respect. The prior approval of the Shareholders at a general meeting of the Company must be obtained in the case of any amendment which is made to the advantage of eligible employees and/or participants and relates to the provisions relating to eligibility, individual or overall limits, the basis for determining the entitlement to, and the terms of, awards, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval. There are, however, exceptions to this requirement to obtain shareholder approval for any minor amendments to benefit the administration of the New OSB Employee Share Plans, to take account of the provisions of any legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or member of the Group.

(C) *Non-transferability*

Awards are not transferable other than to the participant's personal representatives in the event of his or her death.

- (D) *Benefits not pensionable*
Benefits received under the New OSB Employee Share Plans are not pensionable.
- (E) *Overseas plans*
The Board may, at any time, establish further plans based on the New OSB Employee Share Plans for overseas territories. Any such plan will be similar to the New OSB Employee Share Plans but may be modified to take account of local tax, exchange control or securities laws. Any New OSB Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the New OSB Employee Share Plans.
- (F) *Termination*
No awards may be granted under the New OSB Employee Share Plans more than ten (10) years after Admission.

9.6 **Existing Plans**

The Board's intention is for participants in the Existing Plans to receive, in exchange for any award granted under an Existing Plan that they hold on the Latest Practicable Date (an "**Existing Award**"), an equivalent award over New OSB Shares. The Existing Plans are summarised below and further details of the Existing Plans may be found in Section 8 of Part XVI of the 2019 Prospectus, which is incorporated into this Part XIV (*Additional Information*), as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus. The only awards over New OSB Shares to be granted in connection with the Existing Plans will be those to be granted in respect of the Existing Awards.

Awards granted in connection with the Existing Plans may be satisfied using newly-issued New OSB Shares, treasury New OSB Shares or "market purchase" New OSB Shares, with the exception of awards granted under the Mirror PSP, which must be satisfied with "market purchase" New OSB Shares. Awards may not be transferred or otherwise disposed of (except, on death, to the participant's personal representatives). Special rules apply under the Existing Plans on a participant's cessation of employment or on a change of control.

- (A) *The PSP*
The PSP is a discretionary share plan, under which awards have been granted to key senior employees of the OSB Group. The vesting of awards will normally be subject to performance conditions. The New OSB Remuneration Committee may, following Admission, if circumstances occur which cause it to determine that a performance condition has ceased to be appropriate, amend or waive it, provided that the altered or new performance condition will, in its opinion, be fair, reasonable and not materially less difficult to satisfy than the previous performance condition would have been but for the event in question. Awards granted after 1 January 2018 to participants at OSB executive committee level or above include a holding period whereby any shares that vest at the end of the performance period (net of tax) may not be sold for a further two (2) years.
- (B) *The Mirror PSP*
The Mirror PSP is a discretionary share plan, under which former employees of the Charter Court Group, who at the court sanction of the Charter Court Combination held awards granted in 2018 and/or 2019 under the Charter Court Performance Share Plan and who remained in OSB Group employment after the Charter Court Combination, have been granted awards ("**Mirror PSP Awards**"). The size of Mirror PSP Awards was calculated to reflect the value of the CCFS shares that were subject to the part of the Charter Court Performance Share Plan award that did not vest as a result of time pro-rating on account of the Charter Court Combination.

A Mirror PSP Award granted in respect of an award granted in 2018 (a "**2018 Award**") is subject to the same performance conditions as the normal course awards granted under the PSP in 2018. A Mirror PSP Award granted in respect of an award granted in 2019 (a "**2019 Award**") is subject to the same performance conditions as the ordinary course awards granted under the PSP in 2019. The Mirror PSP Awards will normally vest at the

same time as (i) in respect of a 2018 Award, a PSP award granted in 2018 would normally vest; and (ii) in respect of a 2019 Award, a PSP award granted in 2019 would normally vest.

(C) *The DBSP and the LTIP*

The purpose of the DSBP was to facilitate the deferral of all or part of the OSB senior leadership team's annual bonus into Old OSB Shares. The LTIP is a sub-plan of the DSBP operated in India. Under the LTIP, certain eligible employees can be granted an award equal to fifteen per cent. (15%) of annual salary. DSBP awards to executive OSB Directors will normally vest three (3) years after the grant of the original award, provided the participant is still employed in the OSB Group.

(D) *Sharesaves*

The Sharesave and the Roll-Over Sharesave are HMRC tax-advantaged all-employee savings-related share option plans which are in substantially the same form as the Group Sharesave summarised in Section 9.3 of this Part XIV (*Additional Information*). Under the terms of the option rollover, the new options will be exercisable in the same manner as the old options, the total amount payable to exercise the new options will be substantially the same as for the old options and the total market value of the Old OSB Shares subject to that option immediately prior to the rollover will be substantially the same as the total market value of the New OSB Shares subject to the option following rollover.

9.7 *The Company's employee benefit trust*

The Company intends to put in place prior to Admission arrangements with an employee benefit trust ("EBT") to facilitate the operation of the New OSB Employee Share Plans and the Existing Plans.

Following Admission, the trustee(s) of the EBT will not, without shareholder approval, hold or acquire more than five per cent. (5%) of any member of the Group's issued ordinary share capital from time to time (disregarding any ordinary shares held by it as a nominee).

10. **FRUSTRATING ACTIONS, MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES**

Other than as provided by the City Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to frustrating actions, mandatory bids and/or squeeze-out and sell-out rules relating to the Company following its Admission.

10.1 *Frustrating actions*

The City Code will apply to the Company following Admission.

Rule 21.1 of the City Code prohibits any frustrating actions taken by the board during the course of an offer period, or when an offer is in contemplation, without the consent of shareholders.

10.2 *Mandatory bids*

The City Code will apply to the Company following Admission. Under Rule 9 of the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying thirty per cent. (30%) or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between thirty per cent. (30%) and fifty per cent. (50%) of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

10.3 *Squeeze-out*

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the shares and the offeror were to acquire, or unconditionally contract to acquire, not

less than 90 per cent. in value of the shares to which the offer relates and not less than ninety per cent. (90%) of the voting rights carried by the shares to which the offer relates, it could, within three (3) months of the last day on which its takeover offer can be accepted, compulsorily acquire the remaining ten per cent. (10%). The offeror would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration for the outstanding shares to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the takeover offer.

10.4 **Sell-out**

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the shares and, at any time before the end of the period within which the offer can be accepted, the offeror holds or has agreed to acquire not less than ninety per cent. (90%) in value of the shares and not less than ninety per cent. (90%) of the voting rights carried by the shares, any holder of shares to which the offer relates who has not accepted the offer could, by a written communication to the offeror, require it to acquire those shares. The offeror is required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on shareholders notifying them of their sell-out rights. If a shareholder exercises his or her sell-out rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

11. **EMPLOYEES**

As at the Latest Practicable Date, the Company had no employees. The OSB Group, as at the Latest Practicable Date, employed 1,789 people. The average monthly number of employees employed by the OSB Group for the three (3) years ended 31 December 2017, 2018 and 2019 was 813, 989 and 1,769 respectively. The average monthly number of employees employed by the Charter Court Group for the two (2) years ended 31 December 2017 and 2018 was 462 and 577 respectively.

12. **RELATED PARTY TRANSACTIONS**

The Company has not traded since its incorporation and so has not entered into any related-party transactions. The OSB Group has not entered into any related party transactions during the period from 1 January 2017 up to the date of this Prospectus, save as disclosed in Section 8 of Part XVII of the 2019 Prospectus, which is incorporated into this Part XIV (*Additional Information*), as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus.

13. **MATERIAL CONTRACTS**

The Company has not traded since its incorporation and so has not entered into any material contracts. The OSB Group has not entered into any material contracts (other than contracts entered into in the ordinary course of business): (i) within two (2) years immediately preceding the date of publication of this Prospectus which are, or may be, material to the OSB Group; or (ii) which contain provisions under which any member of the OSB Group has an obligation or entitlement which is, or may be, material to the OSB Group as at the Latest Practicable Date, except:

(A) **2019 Prospectus**

Those contracts set out in Section 9 of Part XVII of the 2019 Prospectus (which is incorporated into this Part XIV (*Additional Information*), as set out in Part XV (*Documents Incorporated by Reference*) of this Prospectus), as updated by the following paragraphs:

- (i) under the heading "*Subordinated debt obligations*" in Section 9 of Part XVII of the 2019 Prospectus:
 - (1) the unsecured, subordinated debts of the OSB Group (as defined in the 2019 Prospectus, being the OSB Group prior to completion of the Charter Court

Combination) under bilateral loan agreements now total £281,361.20 instead of the five hundred and sixty-two thousand, seven hundred and twenty-two pounds and forty pence (£562,722.40) stated in the 2019 Prospectus; and

- (2) the OSB Group (as defined in the 2019 Prospectus, being the OSB Group prior to completion of the Charter Court Combination) did not exercise its option to pre-pay, in September 2019, five million pounds (£5,000,000) of the ten million pounds (£10,000,000) borrowed under an unsecured, subordinated loan agreement maturing in September 2024 originally entered into by Kent Reliance Building Society and no longer has the right to pre-pay such amount; and
- (ii) under the heading “*Commercial Warehouse Facility Agreements*” in Section 9 of Part XVII of the 2019 Prospectus:
- (1) as of 31 December 2019, there were no outstanding funds drawn under the CML 1 Warehouse Facility (as defined in the 2019 Prospectus); and
 - (2) on 31 October 2019, the CML 2 Warehouse Facility (as defined in the 2019 Prospectus) and the related transaction documents were amended and restated and Lloyds Bank PLC replaced Gresham Receivables (No 31) UK Limited as senior lender. Under the terms of the CML 2 Warehouse Facility (as amended and restated), Lloyds Bank PLC has agreed to make available to CML Warehouse No. 2 Ltd a loan facility for a maximum principal amount of two hundred and fifty million pounds Sterling (£250,000,000) (at Lloyds Bank PLC’s absolute discretion), for the purpose of funding, in part, the acquisition of certain mortgage loans and their related security from Charter Mortgages Limited from time to time. Interest is payable on amounts drawn under the facility at a floating rate based on LIBOR plus a margin. Lending drawn under the facilities is secured on the loans purchased by CML Warehouse No. 2 Ltd and on the rights and obligations under certain transaction documents entered into in connection with the facilities. As of 31 December 2019, there were no outstanding funds drawn under the CML 2 Warehouse Facility (as amended and restated).

(B) ***Mortgage Sale Agreement***

On 12 July 2019, OSB (as seller and servicer) entered into a mortgage sale agreement and servicing agreement with Canterbury Finance No. 1 PLC (as issuer). Pursuant to this mortgage sale agreement, OSB agreed to sell a portfolio of buy-to-let mortgage loans to Canterbury Finance No.1 PLC. OSB gave market standard warranties in respect of its capacity and authority and in respect of the underlying loans comprising the portfolio. Pursuant to this servicing agreement, OSB agreed to service the loans and related security sold pursuant to the mortgage sale agreement.

On 24 January 2020, Charter Mortgages Limited (as seller and servicer) and Charter Court Financial Services Limited (as legal title holder) entered into a mortgage sale agreement and servicing agreement with Precise Mortgage Finding 2020-1B PLC (as issuer). Pursuant to this mortgage sale agreement, Charter Mortgages Limited (having acquired the beneficial interest in the portfolio of mortgage loans originated by Charter Court Financial Services Limited) agreed to sell a portfolio of residential mortgage loans to Precise Mortgage Funding 2020-1B PLC. Charter Mortgages Limited gave market standard warranties in respect of its capacity and authority and in respect of the underlying loans comprising the portfolio. Pursuant to this servicing agreement, Charter Mortgages Limited agreed to service the loans and related security sold pursuant to the mortgage sale agreement.

On 25 March 2020, OSB (as seller and servicer) entered into a mortgage sale agreement and servicing agreement with Canterbury Finance No. 2 PLC (as issuer). Pursuant to this mortgage sale agreement, OSB agreed to sell a portfolio of buy-to-let mortgage loans to Canterbury Finance No.2 PLC. OSB gave market standard warranties in respect of its capacity and authority and in respect of the underlying loans comprising the portfolio. Pursuant to this servicing agreement, OSB agreed to service the loans and related security sold pursuant to the mortgage sale agreement.

On 4 September 2020, OSB (as seller and servicer) entered into a mortgage sale agreement and servicing agreement with Canterbury Finance No. 3 PLC (as issuer). Pursuant to this mortgage sale agreement, OSB agreed to sell a portfolio of buy-to-let mortgage loans to Canterbury Finance No.3 PLC. OSB gave market standard warranties in respect of its capacity and authority and in respect of the underlying loans comprising the portfolio. Pursuant to this servicing agreement, OSB agreed to service the loans and related security sold pursuant to the mortgage sale agreement.

(C) **Securitisation**

On 26 February 2020, Charter Mortgages Limited (as servicer), Charter Court Financial Services Limited (as original seller and legal title holder) and Broadlands Finance Limited (as seller) entered into a mortgage sale agreement with CMF 2020-1 PLC (as issuer). Pursuant to this mortgage sale agreement, the original seller agreed to sell a portfolio of residential mortgage loans to the seller, who then agreed to sell the portfolio to the issuer. As a result of such sale, the issuer holds beneficial title to the portfolio. The legal title holder will continue to hold legal title to the portfolio until the occurrence of certain perfection events, following which legal title to the portfolio will be transferred to the issuer. Pursuant to a servicing agreement, the servicer has agreed to service the portfolio. The issuer undertook to use reasonable endeavours to administer and enforce the loans comprising the portfolio. The original seller and the seller gave representations in relation to their capacity and authority and the original seller gave representations and warranties in respect of the underlying loans comprising the portfolio. At the date of this Prospectus, the transaction constitutes a “Simple, Transparent and Standardised Securitisation” for the purposes of Regulation (EU) 2017/2402, also known as the “Securitisation Regulation”.

(D) **Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (“TFSME”)**

Since 12 June 2020 OSB and CCFS have been participants in the Bank of England’s TFSME, as described in risk factor 1.9 of Part III (*Risk Factors*) and paragraph 2.3 of Part VII (*Business and Market Overview*) of this document. Under the TFSME, OSB and CCFS are able to access four-year funding at interest rates at, or very close to, the Bank Rate, with additional funding available for banks that increase lending, especially to small and medium-sized enterprises. The interest rate paid will be calculated by reference to Bank Rate plus a TFSME fee. The TFSME fee on drawings of the OSB Group less than or equal to the OSB Group borrowing allowance under the TFSME will either be (x) 0 basis points per annum if net lending between 31 December 2019 and 31 December 2020 is greater than or equal to 0% or (y) up to 0.25 basis points per annum if net lending over the same period is negative. The TFSME fee on drawings in excess of the OSB Group borrowing allowance will be 150 basis points per annum. It is currently expected that the interest rate will be 0.1%. As at 3 September 2020 OSB had drawn down four hundred million pounds Sterling (£400,000,000) and CCFS had drawn down five hundred and fifty million pounds Sterling (£550,000,000) under the TFSME. The OSB Group borrowing allowance on joining the scheme was one billion nine hundred and seventy three million one hundred thousand pounds Sterling (£1,973,100,000). The maximum term of each loan under the TFSME is four years from the date of drawdown, however, early repayment, in part or in full, is permitted under the scheme.

In connection with participation in the TFSME, various representations and warranties concerning authority and capacity to enter into the TFSME and eligibility for the scheme were given by OSB and CCFS. The OSB Group must also provide substantial sums of collateral which is sufficient to cover the OSB Group’s TFSME exposure to the Bank of England in order to access the funding available under the TFSME. Both OSB and CCFS have provided representations as to their right to sell, pay or transfer such collateral in connection with the scheme.

Participation by each of OSB and CCFS in the TFSME is on the Bank of England’s standard terms as set out in the TFSME Operating Procedures and TFSME Terms and Conditions.

14. LITIGATION

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the twelve (12)

months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

15. SIGNIFICANT SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS

As at the date of this Prospectus, the Company is not part of a group and has no significant subsidiaries.

With effect from the Scheme Effective Date, the Company will become the parent company of the OSB Group. The following table shows, as of the Latest Practicable Date, the significant direct and indirect subsidiaries of the OSB Group and the associated undertakings of the OSB Group which the Company considers are likely to have a significant effect on the assessment of the OSB Group's assets and liabilities, financial position or profit and losses.

Company name	% interest held	Country of incorporation
Charter Court Financial Services Group plc	100%	England and Wales
Easioption Limited	100%	England and Wales
Guernsey Home Loans Limited	100%	England and Wales
Guernsey Home Loans Limited	100%	Guernsey
Heritable Development Finance Limited	100%	England and Wales
Interbay Group Holdings Limited	100%	England and Wales
Jersey Home Loans Limited	100%	England and Wales
Jersey Home Loans Limited	100%	Jersey
OSB India Private Limited	100%	India
Prestige Finance Limited	100%	England and Wales
Reliance Property Loans Limited	100%	England and Wales
Rochester Mortgages Limited	100%	England and Wales
5D Finance Limited	100%	England and Wales
Broadlands Finance Limited	100%	England and Wales
Charter Court Financial Services Limited	100%	England and Wales
Charter Mortgages Limited	100%	England and Wales
Exact Mortgage Experts Limited	100%	England and Wales
Inter Bay Financial I Limited	100%	England and Wales
Inter Bay Financial II Limited	100%	England and Wales
InterBay Asset Finance Limited	100%	England and Wales
Interbay Funding, Ltd	100%	England and Wales
InterBay Holdings Ltd	100%	England and Wales
Interbay ML, Ltd	100%	England and Wales

16. WORKING CAPITAL

In the opinion of the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next twelve (12) months following the date of this Prospectus.

17. NO SIGNIFICANT CHANGE

There has been no significant change in the financial position or financial performance of the OSB Group since 30 June 2020, being the date to which the OSB Group's latest interim financial statements were published.

18. EXPENSES

There is no offer of New OSB Shares pursuant to this Prospectus so there are no net proceeds receivable by the Company.

The total costs and expenses relating to the issue of this Prospectus, Admission and the implementation of the Scheme are estimated to amount to approximately one million, seven hundred thousand pounds Sterling (£1,700,000) and are being borne by OSB.

19. AUDITOR

The auditor of the Company since its date of incorporation has been Deloitte LLP of 1 New Street Square, London EC4A 3HQ. Deloitte is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales and has no material interest in the Company or the OSB Group.

20. THIRD PARTY INFORMATION

Where third party information has been used in this Prospectus, the source of such information has been identified. The Company confirms that such information has been accurately reproduced and, so far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

21. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected on the Company's website at www.osb.co.uk/investors/ for a period of twelve (12) months from the date of publication of this Prospectus:

- the Articles;
- the documents incorporated by reference into this Prospectus, as described in Part XV (*Documents Incorporated by Reference*) of this Prospectus; and
- a copy of this Prospectus.

For the purposes of Rule 3.2 of the Prospectus Regulation Rules, this Prospectus will be published in printed form and available free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of twenty-eight (28) days from the date of publication of this Prospectus at the Company's registered office, being OSB House, Quayside, Chatham Maritime, Kent ME4 4QZ. In addition, the Prospectus will be published in electronic form and be available on the Company's website at www.osb.co.uk/investors/.

PART XV

DOCUMENTS INCORPORATED BY REFERENCE

1. INCORPORATION BY REFERENCE

The table below sets out the documents of which certain parts are incorporated by reference into, and form part of, this Prospectus. Only the parts of the documents identified in the table below are incorporated into, and form part of, this Prospectus. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Prospectus. To the extent that any information incorporated by reference itself incorporates any information by reference, either expressly or by implication, such information will not form part of this Prospectus for the purposes of the Prospectus Regulation Rules, except where such information is stated within this Prospectus as specifically being incorporated by reference or where the document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Information incorporated by reference from the OSB 2020 Interim Results

Document information incorporated by reference	Pages
Highlights	1-2
Key Performance Indicators	5-6
Chief Executive Report	7-10
Financial Review	11-18
Condensed Consolidated Statement of Cash Flows	46
Notes to the Condensed Consolidated Financial Statements	47-90

The OSB 2020 Interim Results can be accessed at:
<https://www.osb.co.uk/investors/results-reports-presentations/https://www.osb.co.uk/investors/resultscentre/>.

Information incorporated by reference from the OSB 2019 Annual Report and Accounts

The following pages are incorporated by reference from the OSB 2019 Annual Report and Accounts:

Document information incorporated by reference	Pages
Strategic report	6-93
Corporate Governance report	94-147
Statement of profit or loss	46
Statement of comprehensive income	162
Statement of financial position	163
Statement of changes in equity	164
Statement of cash flows	165
Notes to the financial statements	166-258

The OSB 2019 Annual Report and Accounts can be accessed at
<https://www.osb.co.uk/investors/results-reports-presentations/https://www.osb.co.uk/investors/resultscentre/>.

Information incorporated by reference from the OSB 2018 Annual Report and Accounts

The following pages are incorporated by reference from the OSB 2018 Annual Report and Accounts:

Document information incorporated by reference	Pages
Corporate Governance report	72-79
Statement of profit or loss	118
Statement of comprehensive income	118
Statement of financial position	119
Statement of changes in equity	120
Statement of cash flows	121
Notes to the financial statements	122-182

The OSB 2018 Annual Report and Accounts can be accessed at:
<https://www.osb.co.uk/investors/results-reports-presentations/>.

Information incorporated by reference from the OSB 2017 Annual Report and Accounts

The following pages are incorporated by reference from the OSB 2017 Annual Report and Accounts:

Document information incorporated by reference	Pages
Corporate Governance report	64-71
Statement of profit or loss	107
Statement of other comprehensive income	108
Statement of financial position	109
Statement of changes in equity	110
Statement of cash flows	111
Notes to the financial statements	112-177

The OSB 2017 Annual Report and Accounts can be accessed at:
<https://www.osb.co.uk/investors/results-reports-presentations/>.

Information incorporated by reference from the CCFS 2019 Interim Results

The following pages are incorporated by reference from the CCFS 2019 Interim Results:

Document information incorporated by reference	Pages
Condensed consolidated statement of comprehensive income	37
Condensed consolidated statement of financial position	38
Condensed consolidated statement of changes in equity	39
Condensed consolidated statement of cash flows	40
Notes to the Condensed consolidated financial statements	41-67

The CCFS 2019 Interim Results can be accessed at:
<https://www.chartercourtfcs.co.uk/InvestorCentre/Results>.

Information incorporated by reference from the CCFS 2018 Annual Report and Accounts

The following pages are incorporated by reference from the CCFS 2018 Annual Report and Accounts:

Document information incorporated by reference	Pages
Corporate Governance report	58-107
Statement of comprehensive income	117
Statement of financial position	118
Statement of changes in equity	119
Statement of cash flows	120
Notes to the financial statements	121-155

The CCFS 2018 Annual Report and Accounts can be accessed at:
<https://www.chartercourtfcs.co.uk/InvestorCentre/Results>.

Information incorporated by reference from the CCFS 2017 Annual Report and Accounts

The following pages are incorporated by reference from the CCFS 2017 Annual Report and Accounts:

Document information incorporated by reference	Pages
Corporate Governance report	46-89
Statement of comprehensive income	99
Statement of financial position	100
Statement of changes in equity	101
Statement of cash flows	102
Notes to the financial statements	103-144

The CCFS 2017 Annual Report and Accounts can be accessed at: <https://www.chartercourtfcs.co.uk/InvestorCentre/Results>.

Information incorporated by reference from the 2019 Prospectus

The following pages are incorporated by reference from the 2019 Prospectus:

Document information incorporated by reference	Pages
OSB Share Plans	139-153
Related Party Transactions	166
Material Contracts	166-175

The 2019 Prospectus can be accessed at: <https://www.osb.co.uk/media/1761/osb-prospectus.pdf>.

2. SOURCES OF FINANCIAL INFORMATION

In this Prospectus, unless otherwise stated financial information relating to:

- (a) the financial information relating to the OSB Group has been extracted without material adjustment from the audited Historical Financial Information relating to the OSB Group referred to in Part IX (*Historical Financial Information*) of this Prospectus for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019, prepared in accordance with IFRS, and the Historical Financial Information relating to the OSB Group referred to in Part IX (*Historical Financial Information*) of this Prospectus for the six months ended 30 June 2020; and
- (b) the financial information relating to the Charter Court Group has been extracted without material adjustment from the audited Historical Financial Information relating to the Charter Court Group referred to in Part IX (*Historical Financial Information*) of this Prospectus for the financial years ended 31 December 2017 and 31 December 2018 prepared in accordance with IFRS.

SCHEDULE

DEFINITIONS

Interpretation

For the purposes of this Prospectus:

- (a) the terms “**subsidiary**”, “**subsidiary undertaking**” and “**undertaking**” have the respective meanings given thereto by the Companies Act and “**associated undertaking**” has the meaning given by paragraph 19 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (other than paragraph 19(1)(b) of Schedule 6 to those Regulations, which shall be excluded for this purpose);
- (b) all references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom;
- (c) all references to time in this Prospectus are to London time unless otherwise stated;
- (d) all references to “pounds”, “pounds Sterling”, “Sterling”, “GBP”, “£”, “pence”, “penny” or “p” are to the lawful currency of the United Kingdom; and
- (e) all references to “Euro” or “€” are to the lawful currency of the European Union.

Definitions

The following definitions apply in this Prospectus unless the context otherwise requires:

“ 2018 Award ”	has the meaning given in Section 9.6 of Part XIV (<i>Additional Information</i>)
“ 2019 Award ”	has the meaning given in Section 9.6 of Part XIV (<i>Additional Information</i>)
“ 2019 Prospectus ”	the prospectus dated 15 May 2019 and issued by OSB in connection with the Charter Court Combination
“ 4MLD ”	Fourth Money Laundering Directive (Directive (EU) 2015/849)
“ 5MLD ”	Fifth Money Laundering Directive (Directive (EU) 2018/843)
“ Additional Subscriber Shares ”	ordinary shares of the Company of one (1) pence each issued and allotted as fully paid by the Company to the Initial Shareholders following publication of this Prospectus but prior to the Scheme Effective Date
“ Admission ”	admission of the New OSB Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange
“ Articles ”	the articles of association approved by the Initial Shareholders to take effect as the articles of association of the Company on the Scheme Effective Date
“ AT1 Securities ”	Additional Tier 1 securities
“ Band Limit ”	has the meaning given in Section 3.1 of Part XIII (<i>Taxation</i>)
“ Banking Reform Act ”	has the meaning given in Section 1.7 of Part XII (<i>Supervision and Regulation</i>)

“Basel Committee”	has the meaning given in Section 2.1 of Part XII (<i>Supervision and Regulation</i>)
“Board”	the Directors collectively
“BRRD”	Bank Recovery and Resolution Directive (Directive 2014/59/EU)
“BRRD II”	Bank Recovery and Resolution Directive II (Directive (EU) 2019/879)
“Business Day”	a day (other than a Saturday, Sunday or public holiday in England) on which banks are generally open for business in London other than solely for trading and settlement in Euro
“CCA”	Consumer Credit Act 1974
“CCFS”	Charter Court Financial Services Group plc, a public limited company incorporated in England with registered number 06712054
“CCFS 2017 Annual Report and Accounts”	CCFS’s annual report and audited accounts for the year ended 31 December 2017 (which includes the Charter Court Group’s audited historical financial statements for the year ended 31 December 2017)
“CCFS 2018 Annual Report and Accounts”	CCFS’s annual report and audited accounts for the year ended 31 December 2018 (which includes the Charter Court Group’s audited historical financial statements for the year ended 31 December 2018)
“CCFS 2019 Interim Results”	CCFS’s interim results for the six months ended 30 June 2019
“CCFSL”	Charter Court Financial Services Limited, a limited company incorporated in England with registered number 06749498
“CET1”	Common Equity Tier 1
“Charter Court Business”	the business undertaken by the Charter Court Group
“Charter Court Combination”	the acquisition by OSB of the entire issued share capital of CCFS effected by means of a court-sanctioned scheme of arrangement which became effective on 4 October 2019
“Charter Court Group”	CCFS and its subsidiaries and subsidiary undertakings
“Charter Court Share Plans”	the Mirror PSP and the Roll-Over Sharesave
“City Code”	the City Code on Takeovers and Mergers
“CMA”	the Competition and Markets Authority
“CML”	Charter Mortgages Limited, a limited company incorporated in England with registered number 06749495
“Company”	OSB GROUP PLC, a public limited company incorporated in England and Wales with registered number 11976839
“Companies Act”	the UK Companies Act 2006
“Consumer Credit Directive”	has the meaning given in Section 1.8 of Part XII (<i>Supervision and Regulation</i>)
“Consumer Protection from Unfair Trading Regulations”	has the meaning given in Section 1.12 of Part XII (<i>Supervision and Regulation</i>)
“Court”	the High Court of Justice in England and Wales

“Court Hearing”	the hearing by the Court to sanction the Scheme pursuant to section 899 of the Companies Act
“Court Order”	the order of the Court sanctioning the Scheme under section 899 of the Companies Act
“COVID-19”	means the Corona Virus Disease 2019 as designated by the World Health Organization
“CRA”	Consumer Rights Act 2015
“CRD IV”	Capital Requirements Directive IV (Directive 2013/36/EU)
“CRD V”	Capital Requirements Directive V (Directive (EU) 2019/878)
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in those Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CRR”	Capital Requirements Regulation (Regulation (EU) No. 575/2013)
“CRR II”	Capital Requirements Regulation II (Regulation (EU) No. 2019/876)
“Directors”	the individuals whose names appear in Part V (<i>Directors, Company Secretary, Registered Office and Advisers</i>) as the directors of the Company as at the date of publication of this Prospectus
“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules made by the FCA and forming part of the FCA’s Handbook, as amended from time to time
“DPA”	has the meaning given in Section 1.12 of Part XII (<i>Supervision and Regulation</i>)
“DSBP”	the OSB Deferred Share Bonus Plan 2014
“EBT”	has the meaning given in Section 9.7 of Part XIV (<i>Additional Information</i>)
“EMIR”	European Market Infrastructure Regulation (Regulation (EU) No. 648/2012)
“EU”	the European Union
“EUWA”	European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020
“Executive Awards”	has the meaning given in Section 9.4 of Part XIV (<i>Additional Information</i>)
“Executive Directors”	Andrew Golding and April Talintyre
“Existing Award”	has the meaning given in Section 9.6 of Part XIV (<i>Additional Information</i>)
“Existing Plans”	the OSB Employee Share Plans and the Charter Court Share Plans

“FCA” or “Financial Conduct Authority”	the FCA (as defined in FSMA) (including the FCA acting in the capacity of competent authority for the purposes of Part 6 of FSMA), or its successor from time to time
“FCA Handbook”	the FCA’s Handbook of Rules and Guidance
“FGF”	has the meaning given in Section 3.4 of Part III (<i>Risk Factors</i>)
“Former Employee”	has the meaning given in Section 9.4 of Part XIV (<i>Additional Information</i>)
“FOS”	Financial Ombudsman Service
“FPC”	Bank of England’s Financial Policy Committee
“FSCS”	Financial Services Compensation Scheme
“FSMA”	Financial Services and Markets Act 2000
“GDPR”	General Data Protection Regulation (Regulation (EU) No. 2016/679)
“Group”	the Company and its subsidiaries and subsidiary undertakings from time to time following the Scheme Effective Date
“Group DSBP”	the OSB GROUP Deferred Bonus Plan 2020
“Group DSBP Award”	has the meaning given in Section 9.2 of Part XIV (<i>Additional Information</i>)
“Group Executive Plans”	the Group PSP and the Group DSBP
“Group PSP”	the OSB GROUP Performance Share Plan 2020
“Group PSP Awards”	share-based awards granted under the Group PSP
“Group Sharesave”	the OSB GROUP Sharesave Plan 2020
“Historical Financial Information”	the historical financial information of the Group referred to in Part IX (<i>Historical Financial Information</i>) of this Prospectus
“HMRC”	Her Majesty’s Revenue and Customs
“IAS Regulation”	has the meaning given in Section 1.12 of Part XII (<i>Supervision and Regulation</i>)
“ICO”	Information Commissioner’s Office
“IFRS”	International Financial Reporting Standards
“Initial Shareholders”	the shareholders of the Company as at the date of publication of this Prospectus
“Intra-Group Shares”	ordinary shares in the capital of OSB of one (1) pence each proposed to be issued and allotted as fully paid by OSB to the Company in connection with the Scheme
“Latest Practicable Date”	7 October 2020, being the latest practicable date prior to the publication of this Prospectus
“Letters of Appointment”	has the meaning given in Section 8.5 of Part XIV (<i>Additional Information</i>)
“LIBOR”	has the meaning given in Section 1.14 of Part XII (<i>Supervision and Regulation</i>)

“Listing Rules”	the listing rules and regulations made by the FCA pursuant to Part 6 of FSMA, and contained in the FCA’s publication of the same name
“London Stock Exchange”	London Stock Exchange plc
“LTIP”	the OSB India Private Limited Long Term Incentive Scheme
“Market Abuse Regulation” or “MAR”	Market Abuse Regulation (Regulation (EU) No 596/2014)
“Mirror PSP”	has the meaning given in Section 4.1 of Part VI (<i>Information about the Scheme and Related Proposals</i>)
“Mirror PSP Awards”	has the meaning given in Section 9.6 of Part XIV (<i>Additional Information</i>)
“MLRs 2017”	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692)
“Mortgage Credit Directive”	has the meaning given in Section 1.8 of Part XII (<i>Supervision and Regulation</i>)
“MREL”	minimum requirements for own funds and eligible liabilities
“New OSB Employee Share Plans”	has the meaning given in Section 4.1 of Part VI (<i>Information about the Scheme and Related Proposals</i>)
“New OSB Remuneration Committee”	the Remuneration Committee of the Company
“New OSB Shares”	ordinary shares in the capital of the Company of three-hundred and four (304) pence each proposed to be issued and allotted as fully paid by the Company to the holders of Scheme Shares in connection with the Scheme
“Nil Rate Amount”	has the meaning given in Section 4.1 of Part XIII (<i>Taxation</i>)
“Official List”	the official list maintained by the FCA pursuant to FSMA
“OFT”	Office of Fair Trading
“Old OSB Shares”	ordinary shares in the capital of OSB of one (1) pence each existing as at the date of publication of this Prospectus and any further such shares issued prior to the Scheme Effective Date
“Ordinary Subscriber Shares”	ordinary shares in the capital of the Company of one hundred (100) pence each existing as at the date of publication of this Prospectus
“OSB”	OneSavings Bank plc, a public limited company incorporated in England with registered number 07312896
“OSB 2017 Annual Report and Accounts”	OSB’s annual report and audited accounts for the year ended 31 December 2017 (which includes the OSB Group’s audited historical financial statements for the year ended 31 December 2017)
“OSB 2018 Annual Report and Accounts”	OSB’s annual report and audited accounts for the year ended 31 December 2018 (which includes the OSB Group’s audited historical financial statements for the year ended 31 December 2018)

“OSB 2019 Annual Report and Accounts”	OSB’s annual report and audited accounts for the year ended 31 December 2019 (which includes the OSB Group’s audited historical financial statements for the year ended 31 December 2019)
“OSB 2020 AGM”	the Annual General Meeting of OSB held on 7 May 2020 at 11.00 a.m.
“OSB 2020 Interim Results”	OSB’s interim results for the six months ended 30 June 2020
“OSB Articles”	the articles of association of OSB adopted by OSB on 4 June 2014, being the articles of association of OSB as at the date of publication of this Prospectus
“OSB Board”	the OSB Directors collectively
“OSB Business”	the business undertaken by the OSB Group prior to the Charter Court Combination, excluding the Charter Court Business
“OSB Court Meeting”	the meeting of the OSB Shareholders to be convened by order of the Court pursuant to section 899 of the Companies Act for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) and any adjournment, postponement or reconvention thereof
“OSB Directors”	the directors of OSB at the time of publication of this Prospectus
“OSB Employee Share Plans”	the PSP, DSBP, LTIP and Sharesave
“OSB General Meeting”	the general meeting of OSB Shareholders to be convened for the purpose of considering and, if thought fit, passing certain resolutions in connection with the Scheme and any adjournment, postponement or reconvention thereof
“OSB Group”	OSB and its subsidiaries and subsidiary undertakings from time to time before the Scheme Effective Date
“OSB India”	OSB India Private Limited
“OSB Shareholders”	the holders of Old OSB Shares from time to time
“Panel”	the UK Panel on Takeovers and Mergers
“Payment Services Directive”	has the meaning given in Section 2.6 of Part XII (<i>Supervision and Regulation</i>)
“Pillar 1”	has the meaning given in Section 2.1 of Part XII (<i>Supervision and Regulation</i>)
“PFL”	Prestige Finance Limited, a private limited company incorporated in England with registered number 01080632
“PRA” or “Prudential Regulation Authority”	the Prudential Regulation Authority (as defined in FSMA) or its successor from time to time
“PRA Rulebook”	the PRA’s Rulebook of Rules and Guidance
“Pre-Action Protocol”	has the meaning given in Section 1.8 of Part XII (<i>Supervision and Regulation</i>)
“Prospectus”	means this document
“Prospectus Regulation Rules”	Prospectus Regulation Rules of the FCA made under section 73A of FSMA

“PR Regulation”	Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004
“PSD2”	Payment Services Directive (Directive (EU) 2015/2366)
“PSP”	the OSB Performance Share Plan 2014
“Redeemable Subscriber Shares”	redeemable preference shares in the capital of the Company of one hundred (100) pence each existing as at the date of publication of this Prospectus
“recast Deposit Guarantee Schemes Directive”	has the meaning given in Section 2.5 of Part XII (<i>Supervision and Regulation</i>)
“Recruitment Award”	has the meaning given in Section 9.1 of Part XIV (<i>Additional Information</i>)
“Registrar of Companies”	the Registrar of Companies in England and Wales
“Relevant Dividend Income”	has the meaning given in Section 4.1 of Part XIII (<i>Taxation</i>)
“Remuneration Policy”	the Shareholder-approved Directors’ remuneration policy of the Company
“Resolution”	has the meaning given in Section 5.1 of Part XIV (<i>Additional Information</i>)
“RFB”	has the meaning given in Section 1.7 of Part XII (<i>Supervision and Regulation</i>)
“Roll-Over Sharesave”	has the meaning given in Section 4.1 of Part VI (<i>Information about the Scheme and Related Proposals</i>)
“Rothschild & Co”	N. M. Rothschild & Sons Limited
“Scheme”	a scheme of arrangement pursuant to Part 26 of the Companies Act undertaken by OSB to introduce the Company as a new holding company, above OSB and its subsidiaries, details of which are set out in the Scheme Document
“Scheme Document”	the document dated 9 October 2020 to be sent by OSB to OSB Shareholders setting out, among other things, the details of the Scheme and containing the notices convening the OSB Court Meeting and the OSB General Meeting
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with its terms
“Scheme Record Time”	6.00 p.m. on the Business Day immediately before the Scheme Effective Date
“Scheme Resolution”	the shareholder resolution of OSB necessary to approve the Scheme
“Scheme Shares”	(A) all Old OSB Shares in issue at the date of the Scheme and remaining in issue at the Scheme Record Time; (B) any additional Old OSB Shares in issue at the Scheme Voting Record Time and remaining in issue at the Scheme Record Time; and

	(C) any Old OSB Shares in issue at, or after, the Scheme Voting Record Time in respect of which the original or any subsequent holders are bound by the Scheme, or shall have agreed in writing to be so bound and remaining in issue at the Scheme Record Time,
	in each case excluding any Old OSB Shares held in treasury
“Scheme Voting Record Time”	6.00 p.m. on the Business Day falling two Business Days before the OSB Court Meeting or any adjournment thereof (as the case may be)
“SDRT”	stamp duty reserve tax
“Senior Managers”	the individuals listed in the table of senior managers in Section 2 of Part VIII (<i>Directors, Senior Managers, Corporate Governance and Remuneration</i>) of this Prospectus
“Service Contracts”	has the meaning given in Section 8.5(A) of Part XIV (<i>Additional Information</i>)
“Shareholders”	the holders of New OSB Shares
“Sharesave”	the OSB 2014 Sharesave Scheme
“SM&CR”	has the meaning given in Section 1.11 of Part XII (<i>Supervision and Regulation</i>)
“SME”	small and medium-sized enterprises
“TFS”	has the meaning given in Section 1.9 of Part III (<i>Risk Factors</i>)
“TLAC”	has the meaning given in Section 2.4 of Part XII (<i>Supervision and Regulation</i>)
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Corporate Governance Code”	the 2016 and/or 2018 UK Corporate Governance Code, as the context requires
“UK Ring-fencing Legislation”	has the meaning given in Section 1.7 of Part XII (<i>Supervision and Regulation</i>)
“Unfair Commercial Practices Directive”	has the meaning given in Section 1.12 of Part XII (<i>Supervision and Regulation</i>)
“Unfair Contract Terms Directive”	has the meaning given in Section 1.12 of Part XII (<i>Supervision and Regulation</i>)
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“UTCCR”	Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083)

