

Dated 6 November 2017

FIRSTRAND INTERNATIONAL LIMITED  
and  
ALDERMORE GROUP PLC

CO-OPERATION AGREEMENT

relating to the takeover offer for the entire issued and to be issued share capital of Aldermore Group  
PLC

One Silk Street  
London EC2Y 8HQ

Telephone (44-20) 7456 2000  
Facsimile (44-20) 7456 2222

Ref: L-262693

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**This Agreement** is made on 6 November 2017 **between:**

- (1) **FIRSTRAND INTERNATIONAL LIMITED** a company incorporated in Guernsey whose registered office is at La Plaiderie House, St Peter Port, Guernsey GY1 4NL (the “**Offeror**”); and
- (2) **ALDERMORE GROUP PLC** a company incorporated in the United Kingdom whose registered office is at Apex Plaza, 4<sup>th</sup> Floor Block D, Forbury Road, Reading, Berkshire RG1 1AX, United Kingdom (the “**Company**”).

**Whereas:**

- (A) The Offeror intends to announce a takeover offer for the Company to be implemented by way of a Scheme or, if the Offeror so elects and the Panel consents, by way of an Offer, on the terms and subject to the conditions set out in the Offer Announcement.
- (B) The parties are entering into this Agreement to set out certain mutual commitments to implement the Acquisition and certain matters relating to the conduct of the business of the Company and its Group.

**It is agreed** as follows:

## **1 Interpretation**

In this Agreement, unless the context otherwise requires:

### **1.1 Definitions:**

“**Act**” means the Companies Act 2006;

“**Acceptance Condition**” means the acceptance condition to any Offer;

“**Acquisition**” means the proposed acquisition by the Offeror of the entire issued and to be issued ordinary share capital in the Company which is to be effected by means of a Scheme or, if the Offeror so elects and the Panel consents, by means of an Offer;

“**Approval Period**” means the relevant time period set out by the relevant Regulatory Authority for the approval of such authority to be obtained or procured;

“**Board**” means the board of Company Directors;

“**Business Day**” has the meaning given to it in the Code;

“**Buy-Out Award**” means the buy-out award granted on 12 May 2016 on the terms of the RSP;

“**Clearances**” means all consents, clearances, permissions and waivers that are required to be obtained, all filings that are required to be made and all waiting periods that may need to have expired, from or under the laws, regulations or practices applied by any relevant Regulatory Authority in connection with the implementation of the Acquisition; and any reference to any, Condition relating to Clearances having been “**satisfied**” shall be construed as meaning that the foregoing have been obtained or, where appropriate, made or expired in accordance with the relevant Condition;

“**Code**” means the City Code on Takeovers and Mergers as from time to time amended and interpreted by the Panel;

“**Company Board Recommendation**” means the unanimous and unconditional recommendation from the Company Directors to the Company Shareholders to vote in favour of the Scheme at the Court Meeting and the Company Resolutions, or, if the Offeror proceeds by way of the Offer, to accept the Offer, as the case may be;

**“Company Directors”** means the directors of the Company from time to time;

**“Company Remuneration Committee”** means the remuneration committee of the Company Directors;

**“Company Resolutions”** means the resolutions to be proposed at the General Meeting for the purposes of, amongst other things, approving and implementing the Scheme, certain amendments to the articles of association of the Company and such other matters as may be agreed between the Company and the Offeror as necessary or desirable for the purposes of implementing the Scheme;

**“Company Shareholders”** means the holders of Company Shares;

**“Company Shares”** means the entire issued and to be issued ordinary share capital of the Company;

**“Competing Transaction”** means:

- (i) any offer (including partial offer), tender offer, merger, acquisition, scheme of arrangement, dual listed company structure, business combination or proposal from, or on behalf of, any third party, whether or not subject to any pre-conditions and howsoever to be implemented, with a view to such person, directly or indirectly acquiring (in one transaction or a series of transactions), when aggregated with the shares already held by such third party and any person acting in concert with such third party, more than 30 per cent. of the issued ordinary share capital of the Company;
- (ii) the acquisition (in one transaction or a series of transactions) by or on behalf of, any third party of all or a significant proportion (being 30 per cent. or more) of the business, assets and/or undertakings of the Company's Group and/or its value taken as a whole;
- (iii) a demerger, any material reorganisation and/or liquidation involving all or a significant portion (being 30 per cent. or more) of the Company's Group calculated by reference to any of its revenue, profits or value taken as a whole; or
- (iv) any other transaction which would be alternative to, or inconsistent with, or would be reasonably likely materially to preclude, impede, delay or prejudice completion of the Acquisition;

**“Competition Law”** means Chapters I and II of the Competition Act 1998, Section 188 of the Enterprise Act 2002, Articles 101 and 102 of the Treaty on the Functioning of the European Union, Council Regulation 1/2003/EC, Council Regulation 139/2004/EC and any other law or regulation in any jurisdiction relating to fair competition, anti-trust, monopolies, merger control or similar matters;

**“Conditions”** means the conditions to the implementation of the Acquisition set out in Appendix 1 to the Offer Announcement and **“Condition”** means any one of them;

**“Court”** means the High Court of Justice in England and Wales;

**“Court Hearing”** means the hearing of the Court to sanction the Scheme;

**“Court Meeting”** means the meeting (including any adjournment thereof) of the Company Shareholders to be convened pursuant to section 896 of the Act for the purpose of considering, and if thought fit, approving the Scheme;

**“Court Order”** means the order of the Court sanctioning the Scheme under Section 899 of the Act, to be granted at the Court Hearing;

**“DSP”** means the Aldermore Deferred Share Plan;

**“Effective Date”** means the date upon which:

- (i) the Scheme becomes effective in accordance with its terms; or
- (ii) if the Offeror elects to implement the Acquisition by means of an Offer in accordance with the terms of this Agreement, the Offer becomes or is declared unconditional in all respects;

**“Employee Trust”** means the Aldermore Group PLC Employees’ Share Trust, a discretionary share trust established by the Company in connection with the operation of the Share Plans;

**“General Meeting”** means the general meeting (including any adjournment thereof) of the Company Shareholders to be convened for the purpose of considering, and if thought fit approving, the Company Resolutions;

**“Group”** means, in relation to any person, its subsidiaries, subsidiary undertakings and holding companies and the subsidiaries and subsidiary undertakings of any such holding company;

**“Long Stop Date”** has the meaning given to it in the Offer Announcement;

**“Offer”** means a takeover offer (as defined in Section 974 of the Act) governed by the Code to be made if the Acquisition is implemented by way of a contractual takeover offer;

**“Offer Announcement”** means the offer announcement in relation to the Offeror’s firm intention to make the Acquisition under Rule 2.7 of the Code in the agreed form and initialled for the purposes of identification by the Company (or its lawyers) and the Offeror (or its lawyers);

**“Offer Document”** means the document despatched to (amongst others) the Company Shareholders under which any Offer would be made;

**“Offeror Directors”** means the directors of the Offeror from time to time and **“Offeror Director”** shall be construed accordingly;

**“Panel”** means the Panel on Takeovers and Mergers;

**“PSP”** means the Aldermore Performance Share Plan, including any Pre-IPO Awards, as defined in the PSP;

**“Regulatory Authority”** means any central bank, ministry, court or competition, antitrust, national, supranational or supervisory body or other government, governmental, environmental, trade or regulatory agency or body, in each case in any jurisdiction, but excluding the Panel;

**“Regulatory Conditions”** means the Conditions relating to regulatory matters, in particular obtaining the necessary Clearances from the relevant Regulatory Authorities;

**“RSP”** means the Aldermore Restricted Share Plan, including any buy-out awards granted on a similar basis to the RSP (the largest example of which is the one granted on 12 May 2016 on terms incorporating the rules of the RSP);

**“Scheme”** means the proposed scheme of arrangement under Part 26 of the Act between the Company and the Company Shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed by the Company and the Offeror, under which the Acquisition is proposed to be implemented;

“**Scheme Document**” means the document to be despatched to the Company Shareholders setting out the full terms of the Scheme;

“**Share Plans**” means the DSP, RSP, PSP and the SP; and

“**SP**” means the Aldermore Sharesave Plan.

## 1.2 Offer Announcement

Terms used but not defined expressly in this Agreement shall, unless the context otherwise requires, have the meaning given to them in the Offer Announcement. In case of inconsistency, the definitions set out in this Agreement shall take precedence.

## 1.3 Clauses, Schedules

References to this Agreement shall include any Recitals and Schedules to it and references to Clauses and Schedules are to clauses of, and schedules to, this Agreement. References to paragraphs and Parts are to paragraphs and Parts of the Schedules.

## 1.4 Singular, plural, gender

References to one gender include all genders and references to the singular include the plural and vice versa.

## 1.5 References to persons and companies

References to:

1.5.1 a person include any company, partnership or unincorporated association (whether or not having separate legal personality); and

1.5.2 a company shall include any company, corporation or any body corporate, wherever incorporated.

## 1.6 References to subsidiaries and holding companies

References to a “**company**” shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established. The words “**holding company**”, “**subsidiary**” and “**subsidiary undertaking**” shall have the same meaning in this Agreement as their respective definitions in the Act, as applicable.

## 1.7 The Code

When used in this Agreement, the expressions “**acting in concert**”, “**concert parties**”, “**control**” and “**offer**” shall be construed in accordance with the Code.

## 1.8 Modification of Statutes

References to a statute or statutory provision include:

1.8.1 that statute or provision as from time to time modified, re-enacted or consolidated whether before or after the date of this Agreement;

1.8.2 any past statute or statutory provision (as from time to time modified, re-enacted or consolidated) which that statute or provision has directly or indirectly replaced; and

1.8.3 any subordinate legislation made from time to time under that statute or statutory provision.

## 1.9 Time of Day

References to times of day are to London time, unless otherwise stated.

**1.10 Amendments**

A reference to any other document referred to in this Agreement is a reference to that other document as amended, revised, varied, novated or supplemented at any time.

**1.11 Headings**

Headings shall be ignored in construing this Agreement.

**1.12 Information**

References to books, records or other information mean books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

**1.13 Legal Terms**

References to any English legal term shall, in respect of any jurisdiction other than England, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction.

**1.14 Non-limiting effect of words**

The words "including", "include", "in particular" and words of similar effect shall not be deemed to limit the general effect of the words that precede them.

**2 Effective date**

The obligations of the parties under this Agreement, other than this Clause 2 and Clauses 11 and 13 to 28 (inclusive), shall be conditional on the release of the Offer Announcement via a Regulatory Information Service at or before 8.00 a.m. on 6 November 2017, or such other date and time as may be agreed by the parties. Clauses 2, 11 and 13 to 28 (inclusive) shall take effect on and from the date of this Agreement.

**3 Undertakings relating to Clearances and Conditions**

**3.1** The Offeror shall be responsible for obtaining all Clearances and satisfying all Regulatory Conditions and agrees to use all reasonable endeavours to satisfy all Regulatory Conditions.

**3.2** The Offeror shall:

**3.2.1** consult with and consider the views of the Company with respect to the relevant Clearances and shall determine the strategy for obtaining the Clearances, including the strategy for contacting and corresponding with any relevant Regulatory Authority in relation to such Clearances (including submitting and preparing all necessary filings, notifications and submissions); and

**3.2.2** make as promptly as practicable, and in any event by 13 November 2017, such filings with any Regulatory Authority as are necessary or expedient for the satisfaction of any Regulatory Condition or obtaining any Clearance and in any event to make such filings by such time that the Approval Period shall have lapsed for each Regulatory Authority.

**3.3** The Company undertakes to provide reasonable assistance to the Offeror in relation to obtaining the Clearances and satisfying the Regulatory Conditions and to provide, as soon as reasonably practicable, such information and assistance to the Offeror as the Offeror may reasonably require for the purposes of obtaining any Clearance, satisfying the



Regulatory Conditions and/or for making a submission, filing or notification to any Regulatory Authority.

- 3.4** Each party to this Agreement, except to the extent that it is prohibited by law and subject to Clause 3.7:
- 3.4.1** covenants and agrees in favour of the other party that, from the date of this Agreement until the earlier of the Effective Date and the date on which this Agreement is terminated in accordance with its terms, it shall not initiate or enter into any substantive discussions or hold meetings with a Regulatory Authority in relation to the Acquisition and/or the Clearances, without first having consulted with the other party and taken account of its views.
- 3.4.2** without prejudice to Clause 3.3, undertakes to work co-operatively and reasonably with the other party and its advisers to satisfy the Regulatory Conditions and, to the extent permitted by law or regulation, in particular (to the extent that such steps have not already been taken prior to the date hereof) where reasonably requested by the other party:
- (a) to provide, or procure the provision of, to the other party (or its advisers) draft copies of all filings, notifications, submissions and communications to be made to any Regulatory Authority by or on behalf of the relevant party in relation to obtaining any Clearance, at such time as will allow the other party a reasonable opportunity to provide comments on such filings, notifications, submissions and communications before they are submitted or sent;
  - (b) to take into account such comments made by the other party as are reasonable on such material filings, notifications, submissions and communications;
  - (c) to provide the other party (or its advisers) with copies of all material filings, notifications, submissions and communications in the form submitted or sent to any Regulatory Authority by or on behalf of the relevant party in relation to obtaining any Clearance; and
  - (d) unless the relevant Regulatory Authority stipulates or requires otherwise, to give the other party reasonable prior notice of and allow persons nominated by the other party to attend all meetings and/or telephone calls with any Regulatory Authority in connection with the obtaining of all requisite Clearances and the implementation of the Acquisition and to make reasonable oral submissions during such meetings and/or telephone calls;
- 3.4.3** to keep the other party informed as soon as is reasonably practicable of developments which are material or potentially material to the obtaining of any Clearances and/or the satisfaction of the Regulatory Conditions; and
- 3.4.4** unless the relevant Regulatory Authority stipulates or requires otherwise, to notify promptly the other party of and provide copies of any communications from any Regulatory Authority in relation to obtaining any Clearances.
- 3.5** Nothing in this Agreement shall oblige the Offeror to waive or treat as satisfied any Condition.
- 3.6** If the Offeror elects to implement the Acquisition by means of an Offer in accordance with Clause 6 and it subsequently becomes apparent that a Regulatory Condition is not likely to

be satisfied within the Code timetable, the Offeror undertakes to seek the consent of the Panel:

3.6.1 under Rule 31.6, to extend the latest date on which the Offer can become or be declared unconditional as to acceptances to such date as shall be necessary in order to enable satisfaction of such outstanding Regulatory Condition within the timetable prescribed by the Code; and/or

3.6.2 under Rule 31.7, to extend the latest date on which all Conditions must be fulfilled to such date as shall be necessary in order to enable satisfaction of all Regulatory Conditions within the timetable prescribed by the Code.

3.7 The obligations imposed pursuant to Clause 3.4 upon:

3.7.1 the Offeror shall not apply in relation to its interactions with the South African Registrar of Banks or any other Regulatory Authority other than in connection with the Acquisition or the Clearances; and

3.7.2 the Company shall not apply in relation to its interactions with the UK Prudential Regulation Authority or with any other Regulatory Authority other than in connection with the Acquisition or the Clearances.

## 4 Documentation

4.1 The Offeror agrees:

4.1.1 to provide promptly to the Company all such information about itself, its Group and its directors as may be reasonably requested and which is required by the Company (having regard to the Code and applicable regulations) for the purpose of inclusion in the Scheme Document (including all information that would be required under the Code or applicable regulations);

4.1.2 to provide all other assistance which may be required for the preparation of the Scheme Document including access to, and ensuring that reasonable assistance is provided by, the relevant professional advisers;

4.1.3 to procure that the relevant persons accept responsibility for all information in the Scheme Document relating to the Offeror, its Group and its directors; and

4.1.4 that, if any supplemental circular or document is required to be published in connection with the Scheme or, subject to the prior written consent of the Offeror, any variation or amendment to the Scheme, it shall promptly provide such co-operation and information necessary to comply with all regulatory provisions as the Company may request in order to finalise such document.

## 5 Qualifications

5.1 Nothing in this Agreement shall require a party to provide or disclose to the other party any information:

5.1.1 that is commercially or competitively sensitive or confidential information related to its business and/or any member of its Group which is not relevant to the Acquisition or any Clearance;

5.1.2 in circumstances that would result in the loss or waiver of any privilege that subsists in relation to such information (including legal privilege); or

5.1.3 in circumstances that would result in that party being in breach of a material contractual obligation.

- 5.2** A party may redact such information from any documents shared with the other party and/or take reasonable steps to procure that such information is not shared with the other party, including, where relevant, providing such information to the other party's legal counsel on an "external counsel only" basis (in accordance with the requirements of Practice Statement No.30 published by the Panel) or directly to a Regulatory Authority (with a non-confidential version of any relevant filing, submission or communication being provided to the other party) or pursuant to additional procedures agreed between the parties to ensure compliance with Competition Law.

## **6 Implementation and switching**

- 6.1** The Offeror undertakes to confirm in writing to the Company prior to the Court Hearing that it has, where permissible, waived or treated as satisfied or, to the extent permitted by Rule 13.5(a) of the Code, invoked or treated as incapable of satisfaction each Condition. If the Offeror is aware of any fact, matter or circumstance that would allow any of the Conditions to be invoked, the Offeror shall inform the Company as soon as reasonably practicable, and, as a result fails to confirm to the Company in writing prior to the Court Hearing that, where permissible, it has waived or treated as satisfied each Condition, the Offeror and the Company shall use their reasonable endeavours to procure that the Court Hearing is postponed for a period of up to three Business Days (or such further period as the parties may agree) to allow for the investigation of such fact, matter or circumstance. Following the conclusion of such investigation, the Offeror shall either confirm that the relevant Condition has been satisfied or waived or, if permitted by Rule 13.5(a) of the Code, invoke the relevant Condition.
- 6.2** The Offeror shall, through Counsel, agree to be bound by and consent to the implementation of the Scheme to the extent that all of the Conditions have been satisfied or waived prior to or on the Court Hearing.
- 6.3** The Offeror reserves the right, as set out in the Offer Announcement, and, subject to the consent of the Panel to elect at any time to implement the Acquisition by way of an Offer, whether or not the Scheme Document has been published, provided that the Offer is made in accordance with the terms and conditions set out in the Offer Announcement (with any modifications or amendments to such terms and conditions as may be required by the Panel or which are necessary as a result of a switch from the Scheme to the Offer) if:
- 6.3.1** the Company provides its consent to the implementation of the Acquisition by way of an Offer, the Offer is recommended by the Company Directors and the Offer is made in accordance with the provisions of Clause 6.5;
  - 6.3.2** a third party announces a Competing Transaction which is recommended by the Company Directors; or
  - 6.3.3** the Company Directors (i) do not include the Company Board Recommendation in the Scheme Document; (ii) withdraw, qualify or adversely modify the Company Board Recommendation; or (iii) prior to publication of the Scheme Document, withdraw, qualify or adversely modify their intention to give the Company Board Recommendation in any such document, including making any public statement to such effect, or fail to reaffirm publicly or re-issue a statement of their intention to make the Company Board Recommendation on an unmodified and unqualified basis before 5.30 p.m. on the 5<sup>th</sup> Business Day following the Offeror's reasonable request to do so.
- 6.4** If the Offeror elects to implement the Acquisition by way of an Offer, Clause 4 shall cease to have any effect.

- 6.5** In the event that the Offeror elects to implement the Acquisition by way of an Offer pursuant to and in accordance with Clause 6.3.1, the Offeror shall prepare the Offer Document and shall consult the Company in relation to the preparation thereof. The Offeror agrees to submit, or procure the submission of, drafts and revised drafts of the Offer Document to the Company for review and comment and, where necessary, to discuss any comments with the Company for the purposes of preparing revised drafts. The Offeror agrees to seek the Company's approval of the contents of the information on the Company contained in the Offer Document before it is published, and to afford the Company sufficient time to consider such documents, in order to give its approval (such approval not to be unreasonably withheld or delayed). The Offeror shall only publish the Offer Document once the Offer Document is in a form which is satisfactory to the Offeror and the Company (both acting reasonably).
- 6.6** In the event of a switch to an Offer in accordance with Clause 6.3.1, unless otherwise agreed by the Company or required by the Panel:
- 6.6.1** the Acceptance Condition shall be set at not more than 75 per cent. of the issued share capital of the Company, or, where any of the circumstances set out in Note 2 on Section 8 of Appendix 7 of the Code applies, 90 per cent. of the Company Shares to which the Offer relates (or such lesser percentage, being more than 50 per cent. of the Company Shares to which the Offer relates) as the Offeror may decide with, to the extent necessary, the consent of the Panel;
  - 6.6.2** the Offeror shall not take any action which would cause the Offer not to proceed, to lapse or to be withdrawn, in each case for non-fulfilment of the Acceptance Condition, prior to the 60th day after publication of the Offer Document and the Offeror shall ensure that the Offer remains open for acceptances until such time;
  - 6.6.3** the Offeror shall ensure that the only conditions to the Offer shall be the Conditions modified accordingly for a takeover offer; and
  - 6.6.4** the Offeror shall keep the Company informed, on a confidential basis, on the next Business Day following receipt of a written request from the Company, of the number of Company Shareholders that have validly returned their acceptance or withdrawal forms or incorrectly completed their acceptance or withdrawal forms, the identity of such shareholders and the number of Company Shares to which such forms relate.

## **7 Revisions to the Acquisition**

The parties shall take all such steps as are reasonably necessary to implement any revised or amended terms of the Acquisition that are proposed by the Offeror provided that the Acquisition on such revised or amended terms remains recommended by the Directors of the Company and the provisions of this Agreement shall apply as nearly as practicable in the same way to such revised Scheme or Offer.

## **8 Share Plans**

The parties agree that the provisions of Schedule 1 shall apply in relation to the Share Plans.

## **9 Employee Matters**

The parties agree that the provisions of Schedule 2 shall apply in respect of certain employee matters.

## 10 Post-Offer Board Structure

**10.1** The Offeror shall procure that the application for regulatory approval to the UK Prudential Regulation Authority sets the following structure for the Board following the Effective Date:

**10.1.1** two representative directors appointed by the Offeror ("**Offeror Directors**");

**10.1.2** an independent chairman;

**10.1.3** at least such number of independent non-executive directors as results in the total number of independent directors exceeding the number of Offeror Directors on the Board; and

**10.1.4** executive directors.

**10.2** All existing board committees shall remain in place following the Effective Date and shall operate subject to existing terms of reference, save that one Offeror Director shall be entitled to be appointed to any committee established by the Board.

## 11 Termination

**11.1** Subject to Clause 11.2, this Agreement shall be terminated with immediate effect and all rights and obligations of either party under this Agreement shall cease forthwith upon the occurrence of any of the following:

(a) if

(i) such termination is agreed to in writing between the parties at any time prior to the Effective Date or the Offer becoming or being declared unconditional in all respects (as the case may be); or

(ii) the Offer Announcement is not released at or before 8.00 a.m. on 6 November 2017 (unless, prior to that time, the parties have agreed another time and date in accordance with Clause 2);

(b) upon service of written notice by the Offeror to the Company if one or more of the following occurs:

(i)

(a) any Condition which has not been waived is (or has become) incapable of satisfaction by the Long Stop Date and, notwithstanding that the Offeror has the right to waive such Condition, the Offeror shall not do so; or

(b) any Condition which is incapable of waiver is (or has become) incapable of satisfaction by the Long Stop Date,

in each case in circumstances where the invocation of the relevant Condition (or confirmation that the Condition is incapable of satisfaction, as appropriate) is permitted by Rule 13.5(a) of the Code;

(ii) the Court refuses to sanction the Scheme or grant the Court Order;

(iii) (save as parties may otherwise agree in writing) the Scheme is not implemented on or before the Long Stop Date;

(iv) the Scheme Document or Offer Document, as the case may be does not include the Company Board Recommendation, or the Company makes an announcement prior to the publication of such document(s) that: (a) the Company Directors no longer intend to make such recommendation or

intend adversely to qualify or modify such recommendation; (b) it will not convene the Court Meeting or the General Meeting; (c) it does not intend to publish the Scheme Document; or (d) it recommends or intends to recommend a Competing Transaction;

- (c) upon service of written notice by either party to the other party if the Company Resolutions are not passed at either or both the Court Meeting or the Company General Meeting;
- (d) if the Scheme (or the Offer, as the case may be) is withdrawn or lapses prior to the Long Stop Date (other than where such lapse or withdrawal: (i) is as a result of the exercise of the Offeror's right to switch to an Offer in accordance with Clause 6.3.1; or (ii) it is otherwise to be followed within five Business Days by an announcement under Rule 2.7 of the Code made by the Offeror or a person acting in concert with the Offeror to implement the Acquisition by a different offer or scheme on substantially the same or improved terms);
- (e) a Competing Transaction becomes effective, or becomes or is declared unconditional in all respects or is completed; or
- (f) upon the occurrence of the Effective Date.

**11.2** Termination of this Agreement shall be without prejudice to the rights of either party that may have arisen prior to termination. The whole of this Clause 11 (*Termination*), Clauses 12 (*Representations and Warranties*) to 23 (*Assignment*) and Clauses 25 (*Costs and Expenses*) to 28 (*Appointment of Process Agent*) shall survive termination of this Agreement. In addition, if this Agreement terminates pursuant to Clause 11.1(f), Clauses 8 (*Share Plans*) to 10 (*Post-Offer Board Structure*) shall also survive termination of this Agreement.

## **12 Representations and Warranties**

**12.1** Each party represents and warrants to the other party on the date hereof that:

- 12.1.1** it has the requisite power and authority to enter into and perform this Agreement;
- 12.1.2** this Agreement constitutes its legal, valid and binding obligations in accordance with its terms;
- 12.1.3** the execution and delivery of, and performance of its obligations under, this Agreement shall not:
  - (i) result in a breach of any provision of its constitutional documents;
  - (ii) result in a breach of, or constitute a default under, any instrument to which it is a party or by which it is bound; or
  - (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which it is a party or by which it is bound.

**12.2** The Offeror represents and warrants to the Company on the date hereof that it has received all of the consents, clearances, permissions and waivers required from the South African Reserve Bank in order to release the Offer Announcement.

## **13 Code**

**13.1** Nothing in this Agreement shall in any way limit the parties' obligations under the Code and any uncontested rulings of the Panel as to the application of the Code in conflict with the terms of this Agreement shall take precedence over such terms.

- 13.2** The parties agree that, if the Panel determines that any provision of this Agreement that requires the Company to take or not take action, whether as a direct obligation or as a condition to any other person's obligation (however expressed), is not permitted by Rule 21.2 of the Code, that provision shall have no effect and shall be disregarded.

**14 Notices**

- 14.1.1** Any notice or other communication in connection with this Agreement (each, a "Notice") shall be:

- (i) in writing;
- (ii) in English; and
- (iii) delivered by hand or courier using an internationally recognised courier company.

- 14.1.2** A Notice to the Offeror shall be sent to the following address, or such other person or address as the Offeror may notify to the Company from time to time:

FirstRand International Limited

Address: La Plaiderie House, Saint Peter Port, Guernsey, GY1 4NL

Attention: James Chamberlain

Title: Company Secretary

- 14.1.3** A Notice to the Company shall be sent to the following address, or such other person or address as the Company may notify to the Offeror from time to time:

Aldermore Group PLC

Address: 6<sup>th</sup> Floor, The Monument Building, 11 Monument Street, London EC3R 8AF

Attention: Marius van Niekerk

Title: General Counsel

- 14.1.4** A Notice shall be effective upon receipt and shall be deemed to have been received at the time of delivery.

**15 Further Assurances**

Each party shall, and shall use reasonable endeavours to procure that any necessary third party shall, at its own cost, from time to time, execute such documents and do such acts and things as the requesting party may reasonably require for the purpose of giving the full benefit of this Agreement to the requesting party.

**16 Remedies and Waivers**

- 16.1** The rights and remedies provided for in this Agreement are cumulative and not exclusive of any other rights or remedies, whether provided by law or otherwise.

- 16.2** No failure or delay by either party in exercising any right or remedy provided under this Agreement shall operate as a waiver of it, nor shall any single or partial exercise of any right or remedy preclude any other or further exercise of it or the exercise of any other right or remedy.

- 16.3** Any waiver of a breach of this Agreement shall not constitute a waiver of any subsequent breach.

**16.4** Without prejudice to any other rights and remedies which any party may have, each party acknowledges and agrees that damages alone may not be an adequate remedy for any breach by any party of the provisions of this Agreement and any party shall be entitled to seek the remedies of injunction, specific performance and other equitable relief (and the parties shall not contest the appropriateness or availability thereof), for any threatened or actual breach of any such provision of this Agreement by any party and no proof of special damages shall be necessary for any such enforcement by any party of the rights under this Agreement.

## **17 Invalidity**

**17.1.1** If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, the provision shall apply with whatever deletion or modification is necessary so that the provision is legal, valid and enforceable and gives effect to the commercial intention of the parties.

**17.1.2** To the extent it is not possible to delete or modify the provision, in whole or in part, under Clause 17.1.1, then such provision or part of it shall, to the extent that it is illegal, invalid or unenforceable, be deemed not to form part of this Agreement and the legality, validity and enforceability of the remainder of this Agreement shall, subject to any deletion or modification made under Clause 17.1.1, not be affected.

## **18 No Partnership**

Nothing in this Agreement and no action taken by the parties under this Agreement shall be deemed to constitute a partnership between the parties nor constitute any party the agent of any other party for any purpose.

## **19 Time of Essence**

Except as otherwise expressly provided, time shall be of the essence of this Agreement both as regards any dates, times and periods mentioned and as regards any dates, times and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between the Company and the Offeror.

## **20 Third Party Rights**

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of, or enjoy any benefit under, this Agreement.

## **21 Variation**

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the Company and the Offeror.

## **22 Whole Agreement**

**22.1** This Agreement contains the whole agreement between the parties relating to the Acquisition at the date of this Agreement to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in this Agreement.

**22.2** Each party agrees and acknowledges that:

**22.2.1** in entering into this Agreement, it is not relying on any representation, warranty or undertaking not expressly incorporated into it.



**22.2.2** its only right and remedy in relation to any representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of this Agreement and each of the parties waives all other rights and remedies (including those in tort or arising under statute) in relation to any such representation, warranty or undertaking.

**22.3** In Clauses 22.1 to 22.2, "this Agreement" includes the confidentiality agreement entered into between the parties and dated 29 September 2017.

**22.4** Nothing in this Clause 22 excludes or limits any liability for fraud.

## **23 Assignment**

Except as otherwise expressly provided in this Agreement, neither the Offeror nor the Company may assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of this Agreement, provided that the Offeror may, without the consent of the Company, assign the benefit of the whole or any part of this Agreement to any other corporate entity or other vehicle which is or may become the offeror for Code purposes and in such case the Offeror shall procure that such other corporate entity or other vehicle shall assume the obligations of the Offeror hereunder.

## **24 Announcements**

**24.1** Subject to Clause 24.2 and unless the recommendation of the Directors has been withdrawn, modified or qualified, no announcement (other than the Offer Announcement) in relation to the Acquisition or any ancillary matter contemplated by this Agreement shall be made by or on behalf of the Offeror except on a joint basis or on terms approved in advance by the Company, such approval not to be unreasonably withheld or delayed.

**24.2** A party may make such announcements as are required by:

**24.2.1** the law of any relevant jurisdiction; or

**24.2.2** court order; or

**24.2.3** any securities exchange or regulatory or governmental body to which that party is subject or submits, wherever situated, including (without limitation) the South African Registrar of Banks, the Johannesburg Stock Exchange, the Namibian Stock Exchange, the Financial Conduct Authority ("FCA"), the London Stock Exchange and the Panel whether or not the requirement has the force of law,

in which case the party concerned shall take all such steps as may be reasonable and practicable in the circumstances to agree the contents and timing of such announcement and the extent of the required disclosure with the other party before making such announcement.

## **25 Costs and Expenses**

**25.1** Each party shall bear all costs incurred by it in connection with the preparation, negotiation and entry into this Agreement.

**25.2** The Offeror shall be responsible for paying any filing, administrative or other merger notice fees, costs and expenses (excluding any costs and expenses of the Company's professional advisers and economists) incurred in connection with obtaining any Clearances, unless such fees are payable by the Company as specified by applicable local laws and regulations.

**26 Counterparts**

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this Agreement by executing any such counterpart.

**27 Governing Law and Submission to Jurisdiction**

**27.1** This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

**27.2** Each of the Offeror and the Company irrevocably agrees that the courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Agreement and that accordingly any proceedings arising out of or in connection with this Agreement shall be brought in such courts. Each of the Offeror and the Company irrevocably submits to the jurisdiction of such courts and waives any objection to proceedings in any such court on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum.

**28 Appointment of Process Agent**

**28.1** The Offeror hereby irrevocably appoints FirstRand Bank Limited (London Branch) of Austin Friars House, 2-6 Austin Friars, London EC2N 2HD as its agent to accept service of process in the United Kingdom in any legal action or proceedings arising out of this Agreement, service upon whom shall be deemed completed whether or not forwarded to or received by the Offeror.

**28.2** The Offeror agrees to inform the Company in writing of any change of address of such process agent within 28 days of such change.

**28.3** If such process agent ceases to be able to act as such or to have an address in the United Kingdom, the Offeror irrevocably agrees to appoint a new process agent in the United Kingdom reasonably acceptable to the Company and to deliver to the Company within 14 days a copy of a written acceptance of appointment by the process agent.

**28.4** Nothing in this Agreement shall affect the right to serve process in any other manner permitted by law or the right to bring proceedings in any other jurisdiction for the purposes of the enforcement or execution of any judgment or other settlement in any other courts.

**In witness** whereof this Agreement has been duly executed on the date first set out above:

**SIGNED** by  
JAMES CHAMBERLAIN  
ALEXANDER ROSS  
for and on behalf of FirstRand  
International Limited:

}

**JAMES CHAMBERLAIN  
ALEXANDER ROSS**

**SIGNED** by  
MARIUS VAN NIEKERK  
for and on behalf of Aldermore  
Group PLC:

}

**MARIUS VAN NIEKERK**

## **Schedule 1 Share Plans**

In this Schedule 1, references to an “award” include a conditional right to acquire, or an option over, Company Shares granted pursuant to the Share Plans.

In the event the Acquisition is effected by way of an Offer, references to “**Court Order**” in this Schedule 1 will be read as if they refer to the date on which the Offer becomes or is declared unconditional in all respects.

### **1 Operation of the Share Plans before the Effective Date**

- 1.1** Subject to paragraph 2 of this Schedule, the Offeror acknowledges and agrees that, before the Effective Date, the Company Directors (and, where appropriate, the Company Remuneration Committee) may operate the Share Plans as they consider appropriate in accordance with the rules of the relevant plans and the Company’s normal practice, modified as the Company Remuneration Committee considers appropriate to take account of the Acquisition or any change in regulation and subject to rule 21.1 of the Code.
- 1.2** For the avoidance of doubt and subject to rule 21.1. of the Code, this includes : issuing invitations and granting new awards in respect of any ordinary annual operation of the Share Plans; granting awards under the Share Plans at other times in respect of recruitment or for retention purposes; determining performance conditions for outstanding awards due to vest (including how such performance conditions will be tested shortly before the Court Order); determining the timing and extent to which awards under the Share Plans will vest in the ordinary course; satisfying the vesting, exercise and release of awards under the Share Plans (e.g. by issuing new Company Shares or transferring Company Shares from the Employee Trust or settling awards in cash); and determining the treatment of awards held by leavers.

### **2 Vesting of awards in connection with the Acquisition**

- 2.1** The Offeror acknowledges and agrees that, in accordance with the rules of the relevant Share Plans, outstanding awards which are unvested and not exercisable immediately before the Court Order will vest and become exercisable, as applicable, at the time of the Court Order and, where necessary, the Company Remuneration Committee will exercise its discretion to make arrangements accordingly. Awards granted in the form of nil-cost options will remain exercisable for a period of one month from the time of the Court Order.
- 2.2** In accordance with the terms of the PSP (except in relation to outstanding “Pre-IPO Awards”, as defined in the PSP), awards that have not vested as at the time of the Court Order and which are subject to performance conditions will vest at the time of the Court Order only to the extent that such performance conditions have been satisfied at that time (as determined by the Company Remuneration Committee). PSP awards are subject to a mix of TSR and EPS conditions. TSR will be measured on its terms using performance to the Court Order. EPS will be calculated using the latest year-end figures (expected to be December 2017), whether or not audited, applying the original compound annual growth percentages implicit in the original target ranges to the reduced performance periods.
- 2.3** In addition, awards under the PSP (except outstanding Pre-IPO Awards) and the RSP (except the outstanding Buy-Out Award) will be reduced on a pro-rata basis to reflect the period between grant and the date of the Scheme Court Order as a proportion of the period between grant and the third anniversary of grant (excluding any holding period). Such time pro-rating will be calculated on a completed months basis.

**2.4** To the extent that the vesting of awards under the PSP and RSP after the date of this Agreement is reduced due to time pro-rating in accordance with paragraph 2.3 above, the Company and the Offeror agree that, as soon as practicable after the Effective Date, participants who remain employed at the Effective Date will receive a cash award equal to the value of Shares that would have vested and been acquired under the Scheme had the pro-rating not applied (the “**Transition Award**”). The Company and the Offeror will cooperate with each other in good faith to agree, prior to the Effective Date, the mechanics for making the Transition Awards, including setting the terms for such awards, provided that:

**2.4.1** the vesting schedule applicable to the Transition Awards will mirror the vesting schedule applicable to the original awards granted under the PSP and RSP except that the holding period which applies following the vesting period will not apply; and

**2.4.2** where the original awards granted under the PSP were subject to performance conditions, the Transition Awards will not be subject to further performance conditions as the Transition Awards will only be granted to the extent that the performance conditions of the PSP awards are determined to be satisfied.

**2.5** The Offeror agrees that awards granted under the DSP, the Pre-IPO Awards and the Buy-Out Award, to the extent that they are outstanding immediately before the Court Order, will fully vest and become exercisable with effect from the Court Order and in the case of awards in the form of nil cost options will be exercisable for the period of one month from the Court Order.

**2.6** In accordance with the rules of the SP, Options under the SP will, if not already exercisable, become exercisable at the time of the Court Order. Options will be exercisable to the extent of the participants’ savings at the time of exercise. Options will normally lapse no later than six months after the date of the Court Order.

**2.7** As a result of the Acquisition, options under the SP will be exercisable over less than the full number of Company Shares that could otherwise be acquired at the normal maturity of the related savings contract. The Offeror therefore agrees that it will make a one-off cash payment to those participants in the SP who exercise their options in connection with the Acquisition. The cash payment will be of an amount equal to, on a net of basic rate income tax and employee’s national insurance contributions basis, the additional profit which the participants would have received had they been able to exercise their pre-2017 Sharesave options over the full number of Company Shares otherwise available at the maturity of their savings contract (or, if earlier, the lapse date of the options after cessation of employment in cases where the participants had been able to exercise their options in connection with the Acquisition).

The Offeror acknowledges that any such one-off cash payment made in accordance with this paragraph will be subject to deductions for income tax and employee’s social security contributions.

**2.8** Awards will be settled by issuing new Company Shares or transferring Company Shares from the Employee Trust. The Company and the Offeror agree that any Company Shares held in the Employee Trust shall be used to satisfy options and awards as far as practicable. Where Company Shares are required to be issued to the Employee Trust to enable it to satisfy awards, such Company Shares shall be issued to the Employee Trust at nominal value and the Company shall fund such acquisition by way of contribution to the Employee Trust.

**2.9** Each party agrees that:

- 2.9.1** the proceeds of the vesting and exercise of any award at any time whether before, on or after the Scheme Court Order may be clawed back (and subject to reduction in the case of the Transition Awards) in accordance with the rules of the relevant Share Plan or bonus arrangement;
- 2.9.2** FirstRand will take responsibility for considering whether a clawback action is appropriate under the relevant Share Plans or bonus arrangement. If it does, it will convene a meeting of the Aldermore remuneration committee (as constituted prior to the Effective Date) who will consult with the FirstRand CEO and take their reasonable views into account before making a determination; and
- 2.9.3** FirstRand will not seek to reduce or claw back (either directly or indirectly) any amount in respect of a vested award other than in accordance with this paragraph 2.9.

### **3 General**

- 3.1** Each party will co-operate with the other party and use its reasonable endeavours to provide such details in relation to the Shares Plans as is reasonably required by the other party in order to facilitate the implementation of the arrangements set out in this Schedule 1.
- 3.2** The Company will prepare, in a form to be agreed between the Company and the Offeror, communications to be sent jointly by the Company and the Offeror to each of the participants in the Share Plans to enable the Offeror to satisfy its obligations under Rule 15 of the Code and to send, or arrange for the sending of, such communications to the participants at the appropriate time as agreed between the parties.
- 3.3** The Company's articles of association will be changed pursuant to a shareholder resolution approved at the General Meeting so that any Company Shares issued after the Scheme Record Time (as specified in the Scheme Document) will be automatically transferred to, or to the order of, the Offeror in exchange for the same consideration as is due under the Scheme.

## Schedule 2 Employee Matters

### 1 Insurance

- 1.1** For six years after the Effective Date, the Offeror undertakes in favour of the Company and in favour of each of the directors, officers and employees of the Company and each of its subsidiary undertakings as at and prior to the date of this Agreement that the Offeror shall procure that the Company and each of its subsidiary undertakings honour and fulfil their respective obligations (if any) to indemnify their directors, officers and employees and advance expenses with respect to matters existing or occurring at or prior to the Effective Date (whether such obligations are contained in the Company's or its subsidiary undertakings' certificates of incorporation, articles of association or similar governing documents and/or any indemnity in favour of officers, directors and employees).
- 1.2** If the Offeror or any of its successors or assigns (i) consolidates or merges with any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any corporation or entity, then, and in each such case, to the extent necessary, the Offeror shall use reasonable endeavours to ensure that the successors and assigns of the Offeror shall assume the obligations set out in Paragraph 1.1 above.
- 1.3** The Offeror shall procure that, in respect of all directors of the Company and any of its subsidiary undertakings at the date of this Agreement who cease to be a director of the Company and any of its subsidiary undertakings (or otherwise cease to provide services to such entities) on or from the Effective Date or as a result of the Acquisition (the "**Retired Directors**"), the Company shall, on the basis described in this paragraph, maintain directors and officers insurance for their benefit for a minimum period of six years from the retirement date of each Retired Director (the "**Run Off Cover**"). The Run Off Cover shall be with reputable insurers, for an aggregate limit commensurate with the Company's existing policy and provide cover at least as broad in its scope as that provided under the Company's directors and officers insurance as at the date of this Agreement.

### 2 Terms of employment

- 2.1** Terms of employment, including remuneration and benefits and any existing Company redundancy and severance policies, will be retained for 12 months following the Effective Date. If benefit providers are changed at any time following the Effective Date, the Offeror will use reasonable endeavours to ensure that any waiting periods and pre-existing condition requirements are waived.
- 2.2** Subject to Paragraph 2.3 below, the Offeror agrees and acknowledges that bonuses for the 2017 financial year will be determined and settled in a manner consistent with past practice and the Company's approved remuneration policy. However, if the Effective Date occurs prior to the bonus payment date, no deferral of bonus will take place and the full amount of any bonus for the 2017 financial year will be paid in cash to the employee once determined.
- 2.3** Notwithstanding Paragraph 2.2 above, 40 per cent. of any bonus payable in respect of the 2017 financial year to members of the Company's executive committee will be deferred for a period of 12 months from the date of determination of the amount of bonus payable and

be paid in cash at the end of that period, subject to the relevant member's continued employment and clawback as set out in Paragraph 2.9 of Schedule 1.

- 2.4** The Offeror agrees and acknowledges that, if the Effective Date occurs after February 2018, the Company's Remuneration Committee will set business as usual targets for the period up to the Effective Date and any bonus for the 2018 financial year up to the Effective Date will be paid in 2019. The Company and the Offeror will set new equivalent bonus targets for the remainder of the 2018 financial year following the Effective Date.
- 2.5** If the Effective Date occurs in or prior to February 2018, bonus targets for the 2018 financial year will be determined and communicated by the Company and the Offeror as soon as possible after the Effective Date.
- 2.6** The Offeror acknowledges that prior to the Effective Date the Company is free to put in place whatever retention arrangements the Company considers appropriate, which arrangements may provide for payments on and/or after the Effective Date.

### **3 Pensions**

The Offeror will ensure that, from and after the Effective Date, the Company honours its commitments under each of its pension plans. The Offeror will ensure that existing contribution rates are maintained.