

Memorandum and Rules



Nationwide

Building Society

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Memorandum

Words in italics are explained in paragraph 6

1. The Society's name is Nationwide Building Society.
2. The principal office of the Society is Nationwide House, Pipers Way, Swindon SN38 1NW.
3. The Society's principal purpose is making loans which are secured on *residential property* and are funded substantially by its *members*. The other purposes of the Society are:
 - (a) to carry on the businesses of banking, investment, insurance and the *provision* of financial services and facilities;
 - (b) to carry on any businesses connected with the *provision* of housing or other accommodation or any services relating to housing or other accommodation;
 - (c) to carry on any businesses in the fields of information technology, data processing and communications;
 - (d) to carry on any businesses involving the *provision* of goods or other services (whether for consumers or others) or *dealing* in any *property*;
 - (e) to act as a *parent undertaking* and investment body and to assist and co-ordinate the activities of any undertakings in which it holds an interest;
 - (f) to promote and support community and charitable purposes;
 - (g) to carry on or participate in any business or other activity which, in the opinion of the Board of Directors or any duly authorised officer or employee of the Society, may conveniently be carried on in connection with any other activity of the Society or for developing, taking advantage of or protecting any of the *property* or income of the Society or any *connected undertaking* of the Society or managing any risks associated with the activities of the Society or any *connected undertaking* of the Society.
4. The powers of the Society are set out below. These may be exercised in connection with any of the Society's purposes.
 - (a) to do all things which, in the opinion of the Board of Directors or any duly authorised officer or employee of the Society, are necessary or may help the Society to achieve any of its purposes (including, for example, raising capital and other funds in any manner, whether or not involving the issue of *securities*);
 - (b) to guarantee or enter into any indemnity or other arrangement relating to the discharge of any other *person's* obligations;

- (c) to *provide* for pensions, insurance and benefits of any kind for individuals who are or at any time were officers or employees of the Society or a related undertaking and for any relatives or dependants of such individuals or for anyone having any relationship with such an individual. For this paragraph, any *connected undertaking* or former *connected undertaking* of the Society and any predecessor in business of any of them is a related undertaking. Also, insurance includes directors' and officers' liability insurance;
- (d) to make donations and *provide* assistance of any kind to any body or association having any charitable, public or community purpose or object;
- (e) to exercise any power of the Society for any consideration of any kind (including, for example, in the form of *securities* or obligations of another *person*) or for no consideration;
- (f) to act as trustee, personal representative, custodian, director, receiver, manager, agent or intermediary of any kind and for any purpose.

Anything which the Society may do may be done by it in any part of the world and either alone or in partnership, association or joint venture with one or more other *persons* and either directly or indirectly. In carrying out any of its purposes or exercising any of its powers, the Society may act in any capacity and this includes acting as agent for another *person* and carrying out any functions for any other *person*.

In addition, the Society has power to *dispose* of all or any part of its business or *property*. The Society also has power to take any lawful steps with a view to a merger with another entity, a transfer of all or part of its engagements to another entity or a winding up of the Society or distribution of all or any of its *property*.

- 5. The purposes and powers set out in paragraphs 3 and 4 above are to be interpreted by using the following principles:
 - (a) each subparagraph and each activity referred to in any subparagraph is to be interpreted in the broadest possible sense and any examples given are not to be interpreted as restricting the meaning of the purpose or power which they relate to;
 - (b) each subparagraph and each activity referred to in any subparagraph is to be interpreted separately and (without qualifying the fact that the Society's principal purpose is making loans which are secured on *residential property* and are funded substantially by its *members*) none of the subparagraphs or

activities is to be interpreted in a way which would make it subordinate or incidental to another subparagraph or activity, unless the wording expressly requires this; and

(c) any words in the singular include the plural.

6. The words in italics have the meanings set out against them below:

acquire (or acquiring) - to acquire in any way, including purchasing, leasing, licensing, exchanging, borrowing, receiving or otherwise obtaining rights in respect of the *property* in question. The acquiring can be direct or indirect and on any terms and conditions and can be of all the rights in the *property* in question or of only an interest or share in it;

connected undertaking - has the meaning set out in section 119 of the Building Societies Act 1986;

deal (or dealing) - to *acquire, dispose of, issue, grant, negotiate, discount, guarantee, transfer, subscribe for, borrow or lend;*

dispose (or disposing) - to dispose in any way, including selling, leasing, licensing, exchanging, lending, charging or otherwise granting rights in respect of the *property* in question. The disposing can be direct or indirect and on any terms and conditions and can be of all the rights in the *property* in question or of only an interest or share in it;

member - a *person* who is a member under the Society's Rules;

parent undertaking - has the meaning set out in section 1162 of the Companies Act 2006;

person - any individual or body corporate;

property (save where used in the expression *residential property*) - any real or personal property (including *securities*, intellectual property and money) of any kind and any interest or rights in such property;

provide (or provision) - provide or supply or make arrangements for another *person* to provide or supply. This can be by any means and on any terms and conditions and may or may not involve any *property* being *disposed of*;

residential property - has the meaning set out in section 5 of the Building Societies Act 1986;

securities - any shares (or other participation rights), stocks, debentures, deposit receipts, bills, bonds, notes, warrants, options, instruments (whether negotiable or not) or any other right or obligation. These can be fully, partly or nil paid.

Any reference in this paragraph to any legislation includes that legislation as amended or re-enacted from time to time.

Rules

Words and figures in italics are explained in the interpretation section at the end of the Rules

General

1. Constitution

These Rules, together with the *Memorandum*, set out the constitution of Nationwide Building Society. The interpretation section forms part of the Rules.

2. Name and Address

The Society's name is Nationwide Building Society. Its principal or head office is Nationwide House, Pipers Way, Swindon SN38 1NW or such other address as the *Board* may decide.

3. Commitment

These Rules and the *Memorandum* are binding on the Society and its *members*. They may only be changed by a *special resolution*.

4. Source and use of funds

The Society raises funds by accepting *share investments*, borrowing and taking deposits. The Society uses these funds to make *mortgage loans* to *borrowing members* and for other purposes allowed in the *Memorandum*.

5. Share investments

- (a) *Share investments* may be of such types (including *preferred share investments* and *deferred share investments*) and on such terms and conditions as the Society decides. The *preferred share investments* and *deferred share investments* in issue at any time will not exceed in total more than 25% of the principal amount of all kinds of *share investments* in issue at the end of the last *financial year*.
- (b) *Share investments* are governed by the terms and conditions applicable to them. Unless the terms and conditions provide otherwise, the Society will inform *members* of any change to them by giving notice under Rule 37. The following provisions apply despite any provision to the contrary in the terms and conditions applicable to any *share investment*:

- (i) The Society may repay any *share investment* (other than *deferred share investments*) at any time either by giving notice equivalent to any notice period or unexpired fixed term period applicable to it or without giving notice but with interest in respect of any such period.
- (ii) The Society may withhold or limit repayment of any *share investment* when obliged to do so by law or by order of a competent court or other authority, or (other than in respect of *deferred share investments*) for a maximum period of six *months* when this is prudent or in the interests of *members* generally.
- (iii) The Society may withhold all or part of any *share investment* (other than *deferred share investments* or any *share investment* which is clearly designated as an account which a *member* holds for another *person*) and use it to pay or reduce any debt owed to the Society which is due or overdue for payment.
- (iv) The Society may close the account and retain any *share investment* if it cannot trace the *member* concerned after reasonable enquiry where:
 - (1) the value of the *share investment* is less than £100 and there has been no transaction on the account for at least two years;
 - (2) the value of the *share investment* is £100 or more and there has been no transaction on the account for at least five years;but this does not affect the *member's* right to claim the value of the *share investment* together with interest that would have accrued after cancellation.
- (v) A *member* may transfer his *share investment* with the Society's consent to an individual using such form as the Society may require for this purpose. The Society's consent will not be required in the case of a *deferred share investment*.
- (vi) The Society will not pay interest on fractions of £1.

6. Mortgage loans

Mortgage loans may be of such types and amounts and on such terms and conditions as the Society decides. Unless those terms and conditions provide otherwise:

- (a) a *borrowing member* may repay the whole or any part of his *mortgage loan* at any time;

- (b) the Society may capitalise any interest or other payment which is overdue on 31 December in any year and at any time on giving 14 days notice;
- (c) the Society may charge for administration in accordance with any general tariff of charges it sets; this tariff may be changed from time to time to reflect any change in the cost of administration and the Society will give notice of these changes;
- (d) any property comprising the security shall be insured for such sum and against such risks as the Society may reasonably decide.

Membership

7. Status and Rights of Members

- (a) A person may be an *investing member* or a *borrowing member* or both. A body corporate cannot become an *investing member* (except as a holder of a *deferred share investment*) or a *borrowing member*. No other person may be a member.
- (b) A person is an *investing member* while he holds a *share investment* and will no longer be a member when he ceases to hold a *share investment*.
- (c) A *borrowing member* is a person who is accepted by the Society as a member in respect of a *mortgage loan* while:
 - (i) he owes the money on the *mortgage loan* to the Society directly; or
 - (ii) he owes the money on the *mortgage loan* to another person who holds the benefit of the *mortgage loan* for the Society.
- (d) A person will cease to be a *borrowing member* when he no longer owes money on a *mortgage loan* (being a *mortgage loan* in respect of which he has been accepted as a *borrowing member*) or where the Society or the other person referred to in Rule 7(c)(ii):
 - (i) takes possession of, or exercises a power of sale in relation to, the whole or any part of the land on which the loan is secured; or
 - (ii) obtains an order for foreclosure absolute or, in Scotland, foreclosure in respect of the whole or any part of that land.
- (e) Any member may attend and speak at a general meeting.
- (f) A *qualified voting member* may vote at a general meeting and in a *postal ballot* on any *resolution* (other than one on which he is not eligible to vote under Rule 23).
- (g) A *qualified two year member* may join in nominating a candidate for election as a Director, requesting a Special General Meeting or requesting that a *resolution* be put at an Annual General Meeting (see Rules 14, 15 and 30).
- (h) Where a person was a member of another building society which merges with the Society, *membership* will be treated as having started when he became a member of the other society (where this date is earlier than the start of any existing *membership*).

- (i) *Membership* automatically ends on death. In the case of a sole *member* the personal representative (or if no one is acting as such then any other *person*) may apply for *membership* upon production of satisfactory evidence of entitlement.
- (j) The Society shall maintain a register of *members* in such form as the *Board* may decide.

8. Joint Members

- (a) A *person* may be a *member* jointly with others subject to any maximum numbers the Society may set for different types of *share investment* or *mortgage loan*.
- (b) Joint *members* may together choose the order in which they are named in the Society's records.
- (c) Only the first named joint *member* is entitled to vote (if a *qualified voting member*) and to receive notice of general meetings and *postal ballots* (if an *eligible member*).
- (d) On the death of a joint *member* the surviving joint *member* will automatically continue as a *member*.

9. Young Persons

An individual who is under the age of 18 may be a *member* but is not entitled:

- (a) to vote;
- (b) to join in requesting the Society to call a Special General Meeting or to put a *resolution* to an Annual General Meeting;
- (c) to hold any office in the Society; or
- (d) to join in nominating any candidate for election as a Director.

10. Incapacity or Infirmary

If after reasonable enquiry it appears to the Society that a *member* is incapable of managing his financial affairs through age, infirmity or mental disorder and that no-one has been appointed with lawful authority to look after his financial affairs the Society may allow withdrawal of all or part of his *share investment* (subject to its terms and conditions) by any one who appears to have custody or care of the *member* or the management of his financial affairs. The receipt of that *person* shall be binding on the *member*.

11. Trusts

The Society need not recognise any trust or charge or other claim of any one else over a *share investment* or other property unless obliged to do so by law or by order of a competent court or other authority.

Meetings and Postal Ballots

12. General Meetings

The Society will hold general meetings of *members* as required by law or these Rules and otherwise whenever the Society decides. General meetings are either Annual General Meetings or Special General Meetings. No business shall be transacted at any general meeting which is not set out in the notice of meeting.

13. Annual General Meetings

The Annual General Meeting will be held during the first four *months* of each *financial year* for the purposes only of:

- (a) receiving the Directors' Report, the Annual Accounts and the Report of the Auditors;
- (b) declaring the election of Directors;
- (c) appointing the Auditors;
- (d) considering any other business stated in the notice of meeting.

14. Special General Meetings

- (a) The Society may call a Special General Meeting at any time.
- (b) The Society will call a Special General Meeting if requested by 500 *qualified two year members* who:
 - (i) state in their request, their full names and addresses, the account number of their *share investments* or *mortgage loans*, the purposes of the meeting and any *resolutions* to be proposed at the meeting, and
 - (ii) deposit a sum of £50* for each *member* requesting the meeting.
- (c) The request must be in writing and received at the Society's head office. It may consist of one or several documents in similar form, each signed by one or more *qualified two year members*. Where the request consists of several documents, the date of the request will be the date of receipt of the document signed by the *member* who brings the number of *qualified two year members* up to 500. This date must not be more than three *months* after the date on which the first document was received.

* These amounts have been updated in light of the amendments to the Building Societies Act 1986 pursuant to the Building Societies Act 1986 (Substitution of Specified Amounts and Modification of the Funding Limit Calculation) Order 2007 (SI 2007/860)

- (d) The Society will not call a Special General Meeting:
 - (i) where the only or main purpose of the meeting is to move a *resolution* which is in substantially the same terms as any *resolution* which has been defeated during the period starting with the third Annual General Meeting before the Society receives the request to call the meeting;
 - (ii) to be held during the period of four *months* beginning one *month* after the end of the Society's *financial year*.
- (e) The deposit shall be refunded except where a *quorum* is not present within half an hour of the time set for the meeting or a *resolution* is passed at the meeting that some or all of the money should be used to help meet the cost of the meeting.
- (f) Any meeting which the Society is required to call will be called by due notice under these Rules within 28 days, and held within 63 days, of receipt by the Society of the request. The period of four *months* beginning one *month* after the end of the *financial year* will be disregarded when applying the time limits of 28 and 63 days.
- (g) The Society will, if requested by the *members* requesting the meeting, send to each *member* entitled to notice of the meeting a copy of a statement of not more than 500 words on the subject of the matters to be dealt with at the meeting. This does not apply where the *legislation* states that there is no obligation to send the statement.

15. Resolutions

- (a) The Society will put a *resolution* other than an *investing members' resolution* or a *borrowing members' resolution* to an Annual General Meeting if requested by 500 *qualified two year members* provided that it is not in substantially the same terms as any *resolution* which has been defeated during the period starting with the third Annual General Meeting before the Society receives the request to put the *resolution*.
- (b) The request must be in writing and received at the Society's head office not later than the last day of the *financial year*. It may consist of one or several documents in similar form, each signed by one or more *qualified two year members*. Where the request consists of several documents, the date of the request will be the date of the receipt of the document signed by the *member* who brings the number of *qualified two year members* up to 500. This date must not be more than three *months* after the date on which the first document was received.

- (c) The Society will include notice of the *resolution* in the notice of the Annual General Meeting and will, if requested by the *members* requesting the *resolution*, send to each *member* entitled to notice of the meeting a copy of a statement of not more than 500 words on the subject of the *resolution*.
- (d) The Society will not put a *resolution* or send a statement on the subject of a *resolution* where the *legislation* states that there is no obligation to do so.

16. Quorum at General Meetings

- (a) A *quorum* at a general meeting is 50 *qualified voting members* (subject to Rule 16 (c)) present in person or by representative in the case of a corporate *member*.
- (b) The business of the meeting shall not start without a *quorum*. The subsequent absence of a *quorum* shall not prevent the meeting continuing nor invalidate any business conducted at the meeting.
- (c) If within one hour of the appointed time a *quorum* is not present a meeting called at the request of *members* shall be dissolved and any other meeting shall be adjourned to such time and place as the Directors present or a majority of them decide. At such an adjourned meeting the *qualified voting members* present shall be a *quorum*.

17. Adjournment of Meeting

Any properly constituted meeting may be adjourned to such date, time and place as the meeting may decide. An adjourned meeting shall be regarded as a continuation of the original meeting and no notice of it need be given. No business shall be conducted at it which could not have been conducted at the original meeting.

18. Chairman of General Meeting

The Chairman of the *Board* or if absent any Deputy Chairman of the *Board* or if all absent any Director appointed for the purpose by the Directors present shall take the chair at a general meeting. If no Director has taken the chair within 30 minutes of the time fixed for the meeting a chairman of the meeting shall be elected by and from the *qualified voting members* present.

19. Representatives of Corporate Members

A *member* which is a corporate body may appoint someone (who need not be a *member*) to act as its representative at a general meeting. The appointment must be in writing, signed by someone duly authorised on its behalf and received at the Society's head office or such other place as is described in the notice of meeting not less than five days (or any shorter period described in the notice of meeting) before the date and time of the meeting or any adjournment of the meeting. The appointed representative shall be entitled to exercise the same rights on behalf of the corporate body as that body would be able to exercise if it were an individual *member* attending the meeting in person.

20. Postal Ballots

- (a) The Society may submit any vote on the election of Directors and any *resolution* (other than an *investing members' resolution* or a *borrowing members' resolution*) to a *postal ballot* including a *resolution* which *qualified two year members* have requested be put to an Annual General Meeting.
- (b) A *resolution* passed at a general meeting (other than an *investing members' resolution* or a *borrowing members' resolution*) shall not take effect if within one *month* of the passing of the *resolution* the *Board* decides that the carrying into effect of the *resolution* would be harmful to the Society's interests and decides to submit the *resolution* to a *postal ballot*. The *postal ballot* shall be held and the result declared within *six months* of the general meeting and the result shall be conclusive.

21. Notice of Meetings and Postal Ballots

- (a) Any notice of meeting shall:
 - (i) state the place, date and time of the meeting and the nature of the business of the meeting;
 - (ii) describe an Annual General Meeting as such;
 - (iii) be sent to each *eligible member* by post at his registered address unless the Society has reason to believe that it is unlikely to be received by him at that address;
 - (iv) be accompanied by a proxy form;
 - (v) be accompanied in the case of an election of Directors by any election address of not more than 500 words or other details concerning the candidates required by the *legislation*;

- (vi) be sent so as to reach *eligible members* at least 21 days before the last date for receipt of proxies; and
 - (vii) be advertised under Rule 37.
- (b) Any notice of *postal ballot* shall:
- (i) state the purpose of the ballot, the closing date and time of the ballot;
 - (ii) be sent to each *eligible member* by post at his registered address unless the Society has reason to believe that it is unlikely to be received by him at that address;
 - (iii) be accompanied by a *voting paper* which in the case of an election of Directors shall state the number of Directors to be elected and contain a list of the eligible candidates (distinguishing between retiring Directors and other candidates);
 - (iv) be accompanied in the case of an election of Directors by any election address of not more than 500 words or other details concerning the candidates required by the *legislation*;
 - (v) be sent so as to reach *eligible members* not less than 21 days before the closing date of the *postal ballot*; and
 - (vi) be advertised under Rule 37.
- (c) If the Society accidentally omits to send or if an *eligible member* does not receive any notice of meeting or *postal ballot* or a *voting paper*, proxy form or any other document to be sent to him in connection with any meeting or *postal ballot* this shall not invalidate the meeting or any *resolutions* passed or the result of the *postal ballot* as the case may be.
- (d) Any notice or other document which may be sent to a *member* by post under Rule 21(a) or (b) above or otherwise under these Rules or the *legislation* may instead be made available to a *member* by *electronic communication*, subject to complying with the *legislation*, in such manner as may be authorised by the *Board* from time to time.

22. Validity of Meetings and Postal Ballots

A *resolution* or other proceedings at any general meeting or on a poll or *postal ballot* shall not be invalidated by reason of the subsequent discovery that any *person* voting was not entitled to do so but in such a case the Chairman may at his discretion, having regard to all the circumstances, in particular the number of unauthorised votes, declare the *resolution* or other proceedings void.

Voting

23. Voting Entitlement

A *qualified voting member* is entitled to one vote irrespective of the number and value of his *share investments* and *mortgage loans*. In the case of an *investing members' resolution* or a *borrowing members' resolution*, only *qualified voting members* who are entitled to vote as *investing members* or *borrowing members*, as appropriate, will be entitled to vote.

24. Voting Procedure

- (a) Any *resolution* shall be passed as an *ordinary resolution* unless the *legislation* or these Rules require it to be passed as a *special resolution*, an *investing members' resolution* or a *borrowing members' resolution*.
- (b) At any general meeting any *resolution* put to a vote may be decided on a show of hands of *qualified voting members* present in person or by proxy. This does not apply to a *special resolution*, an *investing members' resolution*, a *borrowing members' resolution* or an *ordinary resolution* to elect Directors or to approve the acquisition or establishment of a business, which shall be decided on a poll. On or before the declaration of the result of a show of hands (except on a *resolution* for the election of a chairman) a poll may be demanded by the Chairman or by at least 10 *qualified voting members* present in person or by proxy. Any demand for a poll on an *ordinary resolution* (other than one to elect Directors or to approve the acquisition or establishment of a business) may be subsequently withdrawn. The poll shall be taken at such time and in such manner as the Chairman directs and the result of the poll shall be assumed to be the *resolution* of the meeting at which the poll was demanded. The meeting may conduct other business pending the taking of the poll and the counting of the result.
- (c) A declaration by the Chairman that a *resolution* has been duly carried or defeated shall be conclusive and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact.
- (d) The Chairman shall have a second or casting vote in the case of an equal number of votes for and against a *resolution* whether on a show of hands or on a poll.

- (e) The Society may decide (subject to any requirements of the *legislation*) the form of the *voting paper* and the procedure for the conduct of a poll or *postal ballot* and for the counting of votes under independent supervision. A vote in a *postal ballot* must be received by the Society at the Society's head office or such other place described in the notice of *postal ballot* by the date and time fixed in the notice for the close of the ballot.
- (f) The *Board* may from time to time prescribe:
 - (i) the procedure for the conduct of an *electronic ballot* including, but not limited to, the methods for establishing the authenticity and integrity of the completed *voting paper*;
 - (ii) the electronic address at which a vote cast by *electronic voting* must be received by the Society; and
 - (iii) the method of determining the time at which any vote cast by *electronic voting* is to be treated as received by the Society.

25. Proxies

- (a) A *qualified voting member* may appoint someone else (who need not be a *member*) as his proxy to attend, speak and vote on his behalf at a general meeting. A representative of a *qualified voting member* such as an attorney may not appoint a proxy.
- (b) The appointment of a proxy must:
 - (i) be in such form(s) as the Society may require or allow and contain the declarations required by the *legislation* and be signed by the *member*;
 - (ii) be received at the Society's head office or such other place as is described in the notice of meeting (which may include, without limitation, any electronic address as the Society may specify for the purpose) not less than five days (or any shorter period described in the notice of meeting) before the date and time of the meeting or any adjournment of the meeting; and
 - (iii) comply with such terms and conditions as the *Board* may from time to time prescribe.

- (c) A *member* may revoke his appointment of a proxy at any time and the appointment will be automatically terminated on the *member's* death or legal incapacity or if he ceases to be a *member*. Revocation or termination shall not invalidate any vote cast by his proxy unless written notice has been received by the Society at the Society's head office or at such electronic address as the Society may specify for the purpose not less than five days (or any shorter period specified in the notice of meeting) before the time fixed for the start of the meeting or adjourned meeting.
- (d) The *Board* may from time to time prescribe:
 - (i) the method of determining the time at which any appointment of proxy or revocation sent by means of *electronic communication* is to be treated as received by the Society; and
 - (ii) the procedure for the conduct of an electronic appointment of proxy including, but not limited to, the methods for establishing the authenticity and integrity of the completed electronic appointment of proxy.
- (e) If two or more valid proxy appointments are received (whether at the Society's head office address or such other address as is described in the notice of meeting) in respect of the same *member* for use at the same meeting, the one which is last received or treated as last received in accordance with the method of determining the time of receipt (regardless of the date on which it is signed) shall be treated as replacing and revoking the others. If two or more valid but differing proxy appointments are received in respect of the same *member* for use at the same meeting and the Society is unable to determine which was last received, none of them shall be treated as valid in respect of that meeting.

The Board

26. Powers and Duties of the Board

- (a) The Society's business and the conduct of its affairs shall be the responsibility and under the direction, control and management of the *Board*. The *Board* may exercise all the powers which need not be exercised (under the *legislation* or these Rules) in general meeting or by another *person*. The general power of the *Board* under this Rule shall not be limited or restricted by any specific power or authority given to it by the *legislation* or any other Rule. The *Board* may delegate any of its powers, discretions and authorities in relation to its business to any committee, officer, employee, adviser or agent (including the power to delegate further).
- (b) The *Board* shall appoint and may terminate the appointment of the Chief Executive and the Secretary of the Society.
- (c) The *Board* may determine and from time to time publish the policy of the Society in relation to the *periodic investment returns* on any *deferred share (core capital) investments* and shall have regard to the ongoing profitability and long term viability of the Society, the need for the Society to ensure that it has adequate capital resources and such other factors as the *Board* considers appropriate. *Periodic investment returns* may be paid at the discretion of the *Board* either out of profits made by the Society in the relevant financial year or, subject to applicable law and regulation, out of reserves of the Society available for distribution.

27. Size of Board

The *Board* may decide its own number but this shall not be less than eight. The *Board* may continue to act notwithstanding any vacancies on the *Board* but must appoint a Director to fill any vacancy where the number falls below eight.

28. Board Meetings

- (a) The *Board* may from time to time elect a Chairman and one or more Deputy Chairmen from amongst its number and shall elect or re-elect such officers each year at its first meeting following the Annual General Meeting.
- (b) A *Board* meeting may be called by the Chairman, any Deputy Chairman, the Chief Executive, any two Directors or the Secretary of the Society.

- (c) A *quorum* at a *Board* meeting shall be five Directors provided that those holding executive office do not form a majority of those present, but if the size of the *Board* falls below five the remaining Directors shall be a *quorum*.
- (d) A *Board* meeting may consist of a conference between Directors some or all of whom are in different places provided that each Director may participate in the business of the meeting whether directly, by telephone, or by any other electronic means which enables him:
 - (i) to hear each of the other participating Directors addressing the meeting; and
 - (ii) if he so wishes, to address all of the other participating Directors simultaneously.

A *quorum* shall be deemed to be present if at least the number of Directors required to form a *quorum* under Rule 28 (c) may participate in the business of the meeting in the manner described in this paragraph. A *Board* meeting held in this way is deemed to take place at the place where the largest group of participating Directors is assembled or, if no such group is readily identifiable, at the place from where the Chairman participates.

- (e) The *Board* shall decide matters by a majority of votes and in the case of an equality of votes the Chairman shall have a second or casting vote.
- (f) A *resolution* in writing signed by all the Directors shall be as valid and effective as if it had been passed at a duly convened and constituted *Board* meeting.
- (g) All matters decided at any meeting of the *Board* or of any committee of it shall be valid even if it is later discovered that the meeting was improperly convened or constituted or that the appointment or election of any Director or any committee member is invalid or that any such *person* is or was disqualified.

29. Appointment, Election and Retirement of Directors

- (a) The *Board* may at any time appoint as a Director an individual who appears to the *Board* to be fit and proper to be a Director to fill a vacancy on the *Board* other than one arising from the retirement from office of a Director at an Annual General Meeting.

- (b) A Director appointed by the *Board* shall retire from office at the Annual General Meeting following his appointment and shall be eligible for election at that meeting without nomination or, if the Director was appointed during the period starting with the beginning of the *financial year* and ending with the Annual General Meeting, at the Annual General Meeting in the *financial year* following his appointment.
- (c) At each Annual General Meeting any Director who was not elected at either of the last two Annual General Meetings shall retire from office and shall be eligible for election at that meeting without nomination.
- (d) A Director who is either 70 years of age or over at the date of his election, or who reaches 70 years of age after the date of his election or appointment, shall retire from office at the next Annual General Meeting.
- (e) An individual who will be 70 years of age or over at the date on which his election as a Director would take effect shall not be eligible for election as a Director unless:
 - (i) he has been approved by resolution of the *Board* as eligible for election; and
 - (ii) his age and the reasons for the *Board's* approval of his eligibility have been notified to every *qualified voting member* at that election (however a failure by the Society to notify every *qualified voting member* shall not invalidate the election).
- (f) Any individual who becomes a Director as a result of a transfer to the Society of the business of another building society may be treated for the purposes of this Rule as if appointed or last elected as a Director on the date of appointment or election to the board of the other society.
- (g) An election of Directors shall be held whether or not the number of eligible candidates is more than the number of vacancies on the *Board*. The Directors may be elected by a *resolution* voted on by a poll at the Annual General Meeting or by *postal ballot* in which event the result shall be declared at the Annual General Meeting.
- (h) In the exercise of its duties under Rule 26, the *Board* may require any individual who is being considered for appointment or election as a Director under this Rule 29, or who is nominated for election as a Director under Rule 30, to supply to the *Board* in writing:

- (i) evidence of their qualifications, financial and managerial experience, creditworthiness, competence and character; and
- (ii) any duly completed form or questionnaire, in whatever form the *Board* considers necessary to meet legal and regulatory requirements.

30. Nomination for Election of Directors

- (a) Any individual who will be at least 18 years of age at the date of election and is not prohibited by law from being a director may be nominated for election as a Director.
- (b) A nomination for election as a Director may be made by 250 *qualified two year members*. The nomination must:
 - (i) be in writing, signed by the nominated candidate and by each of the *qualified two year members* nominating him;
 - (ii) state the full names and addresses (including post codes) of each of those *qualified two year members*; and
 - (iii) be received by the Society at its head office addressed to the Secretary accompanied by a deposit of £500* by the end of the *financial year* preceding the election. Any nomination received after that date will be carried forward (unless the candidate requires otherwise) as a nomination for the next election of directors.
- (c) Any individual nominated for election as a Director may withdraw his name only by delivering a written notice of his withdrawal addressed to the Secretary to be received by the Society at its head office not later than 21 days after the end of the *financial year* during which his nomination was received at the head office of the Society. In the event of a withdrawal before the end of the *financial year* preceding the election, the deposit shall be returned to the candidate. In the event of a withdrawal after that time, the return of the deposit to the candidate shall be at the Society's discretion.
- (d) After the election the deposit shall be returned within 14 days to any successful candidate or one who received votes equivalent in total to either 5% or more of the total votes cast in the election or 20% or more of the total votes cast for the candidate who is elected with the smallest total number of votes. In any other circumstances the deposit shall be forfeited.
- (e) An individual nominated for election as a Director who will be 70 years of age or over at the date on which his election as a Director would take effect shall not be eligible for election unless the requirements of Rule 29(e) are satisfied.

31. Directors' Share investment

Each Director shall hold a *share investment* to a value of not less than £1,000.

32. Remuneration of Directors

- (a) The total remuneration of the Directors (exclusive of any remuneration paid in respect of executive duties) shall be decided by the *Board* but shall not exceed fifteen pence per ten thousand pounds of the Society's total assets at the start of the *financial year* in which the remuneration is paid.

* These amounts have been updated in light of the amendments to the Building Societies Act 1986 pursuant to the Building Societies Act 1986 (Substitution of Specified Amounts and Modification of the Funding Limit Calculation) Order 2007 (SI 2007/860)

- (b) Directors shall be entitled to be reimbursed by the Society for all expenses properly incurred in connection with the Society's business.
- (c) The *Board* may make payments for the purpose of providing pensions for former Directors and their dependants. Any pension payable shall be of such amount and on such terms and conditions as the *Board* may decide.

33. Directors' Interests

- (a) A Director shall declare any interest in accordance with the *legislation* and any other material interest and (except in relation to matters to be decided under Rule 32) shall not vote on any matter to be decided by the *Board* in which he has such an interest. Nor shall he be counted in the *quorum* present at any meeting at which such matter is considered.
- (b) If any question arises at a *Board* meeting as to the materiality of a Director's interest or as to the entitlement of a Director to vote, and the Director does not agree to abstain from voting, the question shall be resolved by the Chairman of the meeting (or if the Chairman is the Director in question then by another Director present chosen by the meeting, with the Chairman abstaining, for this purpose) whose ruling shall be final and conclusive.
- (c) A Director may hold any office of profit with the Society (other than the office of auditor or valuer) simultaneously with his office of Director and may be appointed by the *Board* to an office of profit with any body corporate in which the Society is, or will be, interested. A Director appointed to an office of profit with any such body corporate shall promptly disclose to the *Board* any benefit he derives from that office.

- (d) A Director, notwithstanding his interest, may be counted in the *quorum* present at any meeting at which he or any other Director is appointed to hold any office of profit with the Society or with any body corporate in which the Society is, or will be, interested or at which the terms of any such appointment are arranged. He may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms of that appointment.

34. Indemnity

Every Director or officer shall be indemnified by the Society against any liability which arises from or in the course of duty insofar as the *legislation* does not prevent such indemnity.

35. Vacation of Office and Disqualification

- (a) A Director shall cease to hold office:
- (i) on the date specified in a written notice of resignation given to the Secretary;
 - (ii) on taking up permanent residence outside the United Kingdom without the prior written consent of all other Directors;
 - (iii) on conviction for any offence involving dishonesty or on imprisonment following conviction for any offence;
 - (iv) on being adjudicated bankrupt or compounding or making any arrangement with creditors generally;
 - (v) on becoming a *mental patient*;
 - (vi) on accepting or holding office or employment in another building society without the prior written consent of all other Directors;
 - (vii) in the case of a Director who is an executive of the Society, on termination of employment unless the *Board* resolves that the Director shall continue in office as such;
 - (viii) on ceasing to hold the *share investment* required under Rule 31;
 - (ix) if disqualified or otherwise prohibited at law or by any regulatory authority from holding office as a director of either a company or a building society;
 - (x) if requested in writing by all other Directors to resign;
 - (xi) if the *Board* passes a resolution to that effect after the Director has been absent from all meetings of the *Board* held during a period of three consecutive *months*;

- (xii) if a *resolution* to that effect is passed at a general meeting or on a *postal ballot*;
 - (xiii) if the *Board* passes a resolution to that effect either: (1) after a regulatory authority has made it a condition of the Society's continued authorisation that the Director should cease to hold office or has imposed a requirement or made a recommendation that he should cease to hold office; or (2) following a failure by the Director to obtain or maintain any personal authorisation required from a regulatory authority relevant to the office of director; or
 - (xiv) if the *Board* passes a resolution that it is no longer satisfied that the Director is fit and proper to be a Director.
- (b) All Directors shall be given at least 14 days written notice of a proposed resolution to be moved at a *Board* meeting to the effect that a Director shall cease to hold office.

Miscellaneous

36. Settlement of Disputes

The Society has an internal complaints procedure to resolve disputes with *members*. Any dispute which cannot be resolved may be referred to an ombudsman or any court with the relevant authority.

37. Notices

- (a) Any notice to be given to the Society under these Rules must be in writing addressed to, and received by, the Secretary at the Society's head office.
- (b) Any notice which the Society is not required by the *legislation* or these Rules or the terms and conditions of any *share investment* or *mortgage loan* to send to *members* personally may be given either by a notice displayed in a prominent position in every branch office or by advertisement in at least one national newspaper. Any such notice shall be assumed to have been served on the third day on which the notice has been displayed at branch offices or on the first day on which the notice has appeared in the national newspaper as the case may be.

38. Custody of the Seal and Securities

- (a) The Society shall have a corporate seal and may have one or more facsimile copies of it. The Society's seal will contain its name. The Society will only use its seal with the authority of the *Board* and any document sealed shall be countersigned by an authorised individual. Documents may be sealed with the seal or a facsimile seal. All documents so sealed and countersigned shall be assumed to be validly executed by the Society.
- (b) The *Board* will arrange for the safe custody of the Society's seal and any facsimile copies of it and of the Society's mortgage deeds and other securities.

39. Auditors

- (a) The auditors shall be appointed at each Annual General Meeting to hold office from the end of the meeting until the end of the next Annual General Meeting.
- (b) The *Board* shall decide the remuneration to be paid to the auditors.

40. Profits and Losses

- (a) The Society may reserve all or part of the profit in any *financial year* either for general or specific purposes.
- (b) Any loss shown in the Society's accounts for any *financial year* shall be met first from reserves. If the reserves are insufficient to meet the loss in full, the balance of the loss following depletion of the reserves shall be met by the holders of *deferred share investments* or subordinated debt in accordance with the terms of those investments and debts.
- (c) Any *deferred share (core capital) investment* must be issued on terms that limit the amount of the *periodic investment returns* that may be paid on such investment in respect of any given *financial year* to not more than the applicable *periodic investment returns cap*, in order to protect the reserves of the Society.

41. Dissolution or Winding Up

On dissolution or winding up any surplus remaining after the Society's creditors have been paid and all *share investments* (other than *deferred share (core capital) investments* unless and to the extent provided in their terms of issue) have been repaid (according to any order of priority under the terms of issue):

- (a) shall be paid in accordance with the instrument of dissolution (if any), but otherwise;
- (b) shall be divided among those *investing members* who have held *share investments* (other than *deferred share investments*) of at least £100 continuously for two years at the relevant date in proportion to the amount of their *share investments* at that date and those *investing members* who hold *deferred share investments* at the relevant date subject to, and in proportion to the amount specified in, or calculated by reference to, their terms of issue. The relevant date is the earlier of either the date of notice of a winding up or dissolution *resolution* or the date of presentation of a winding up petition.

Interpretation

The Rules are to be interpreted in the way described below.

- (a) The Rules contain references to:
 - (i) amounts of money (in the definitions of *qualified two year member* and *qualified voting member* and in Rules 14 and 30);
 - (ii) numbers of words (in Rules 14, 15 and 21);
 - (iii) numbers of *members* (in Rules 14, 15 and 30);
 - (iv) numbers of days (in Rule 14);
 - (v) percentages (in Rule 30).

These references represent amounts, numbers and percentages specified for particular purposes by the *legislation*. Each such amount, number and percentage shall be read as if followed by the words 'or such other amount, figure or percentage which is for the time being the maximum permitted for this purpose by the *legislation*'.

- (b) The Rules apply subject to any provisions of the *legislation*. Any provisions of the Rules concerning an individual's age shall continue to apply as set out in the Rules unless and until such time as the *legislation* provides otherwise, in which case the Rules shall be read as if the change to the *legislation* has been incorporated into the Rules.
- (c) Any words in the masculine include the feminine and any words in the singular include the plural.
- (d) The headings are provided for ease of reference and shall not affect the interpretation of the Rules.
- (e) The words in italics have the meanings set against them below.
- (f) Any reference to writing or written or any similar expression includes a reference to any method of reproducing words in a legible form.
- (g) Any reference to signature or to something being signed or executed shall include either: (i) a signature printed or reproduced by mechanical or other means; (ii) any stamp or other distinctive marking made by or with the authority of the person required to sign the document to indicate it is approved by such person; or (iii) to the extent that the *Board* has approved this for the relevant purpose, an electronic signature or other means of verifying the authenticity of an *electronic communication*.

- (h) Any reference to receipt at the Society's head office or any similar expression means a document in paper form having been received at the Society's head office by the Secretary of the Society or such other person as the Society may from time to time specify for the purpose.
- (i) (i) Any reference to a *person* having a *share investment* includes references to any *share investment* which, under Section 4(2) of the Dormant Bank and Building Society Accounts Act 2008, that *person* is for the time being treated as having in respect of the balance of a dormant *share investment* account which the Society has transferred to an authorised reclaim fund in accordance with section 1 of that Act, and
- (ii) "hold" or "held" in relation to a *share investment* shall be construed accordingly.

Authority - the Financial Services Authority or any successor or other authority entitled to exercise supervision over the Society with respect to prudential matters

Board - the Society's Board of Directors constituted under these Rules

borrowing member - a *person* who has been accepted by the Society as a *member* in respect of a *mortgage loan*

borrowing members' resolution - a *resolution* which the *legislation* requires to be passed by *borrowing members*

- (a) to approve the terms of an amalgamation with another building society;
- (b) to transfer the Society's engagements to another building society or to undertake to fulfil the engagements of another building society; or
- (c) to transfer the Society's business to a company

deferred share investment - a *share investment* the terms of which provide that holders shall be entitled to repayment after the holders of *share investments* generally

deferred share (core capital) investment - a *deferred share investment* which qualifies or is intended to qualify as common equity tier 1 capital (or equivalent) under the rules relating to capital adequacy or prudential requirements published by the *Authority* or other law or regulation applicable to the Society from time to time

electronic ballot - a ballot conducted as an electronic ballot in accordance with these Rules and the *legislation* on which some (but not all) of the voting is *electronic voting* and which, to the extent that voting in the ballot is not *electronic voting*, is conducted in accordance with the provisions of these Rules and the *legislation* which would apply if it were a *postal ballot* with no *electronic voting*

electronic communication - an electronic communication within the meaning of the Electronic Communications Act 2000 (as amended or re-enacted from time to time)

electronic voting - voting which satisfies the requirements under the *legislation* for *electronic voting* in an electronic ballot

eligible member - a *member* who is entitled to receive notice of a general meeting and of any *postal ballot*.

In the case of a meeting, an eligible member is:

- (a) any *member* who would have been eligible to vote at the meeting if the meeting were held on the date of the notice; and
- (b) any *person* who
 - (i) becomes a *member* after the date of the notice but before the last date fixed under Rule 25(b)(ii) for the receipt of forms appointing proxies to vote at the meeting; or
 - (ii) is a *member* at the date of the notice and attains the age of 18 after that date and on or before the date of the meeting

and who would (in either case) be eligible to vote at the meeting if he remained such a *member* until the date of the meeting.

In the case of a *postal ballot*, an eligible member is

- (a) any *member* who would have been eligible to vote in the *postal ballot* if the closing date for the receipt of *voting papers* ('the closing date') were the same as the date of the notice; and
- (b) any *person* who
 - (i) becomes a *member* after the date of the notice but before the closing date; or
 - (ii) is a *member* at the date of the notice and attains the age of 18 after that date and on or before the closing date

and who would (in either case) be eligible to vote in the ballot if he remained such a *member* until the closing date

financial year - the year ending on 4 April or such other date as the *Board* may decide

investing member - a *member* who has a *share investment*

investing members' resolution - a resolution which the legislation requires to be passed by *investing members*

- (a) to approve the terms of an amalgamation with another building society;
- (b) to transfer the Society's engagements to another building society or to undertake to fulfil the engagements of another building society; or
- (c) to transfer the Society's business to a company

legislation - Building Societies Act 1986 and any amendment or re-enactment of it and any orders made under it

member - a person who is an *investing member* or a *borrowing member* or both

membership - the status of *investing members* or *borrowing members*

Memorandum - the Society's Memorandum of powers registered under the requirements of the *legislation*

mental patient - a patient within the meaning of the Mental Health Act 1983, the Mental Health (Scotland) Act 1984 or the Mental Health (Northern Ireland) Order 1986, in each case as amended or re-enacted from time to time

month - calendar month

mortgage loan - a loan which is substantially secured on land. For this purpose, a loan is substantially secured on land if the Society is satisfied that, at the date when the loan is made or acquired:

- (a) the loan is a loan secured on land within the meaning of the *legislation*; and
- (b) the value of that land (less the amount owing on any other secured loan having priority) is more than 50% of the amount owing on the loan

ordinary resolution - a resolution which may be passed by a simple majority of votes cast

periodic investment returns - the returns (if any) from time to time paid to holders of *deferred share (core capital) investments*

periodic investment returns cap - the maximum amount of *periodic investment returns* which may be paid on each *deferred share (core capital) investment* in respect of any given financial year. The initial *periodic investment returns cap*, applicable to *periodic investment returns* in respect of the financial year to 4 April 2013 will be £15 per share, and (subject as stated below) in respect of each subsequent financial year will be adjusted for

inflation by reference to the United Kingdom Consumer Price Index (overall index, 2005=100) (CPI) published by the Office for National Statistics (or any successor to that index). Such adjustment will be made by applying the CPI annual inflation percentage published by the Office for National Statistics in its statistical bulletin for the last full calendar month of the financial year in respect of which the *periodic investment returns* are payable (being the percentage increase or decrease over the twelve months to and including that month) to the prevailing *periodic investment returns cap*. If the CPI ceases to be published and no direct successor or replacement index is published, the *Board* shall be entitled to determine an appropriate replacement index for determining inflation-based adjustments to the *periodic investment returns cap*, and shall have sole discretion to determine any modifications to the method of determining inflation-based adjustments to the *periodic investment returns cap* during the transition from CPI to the replacement index. The Society shall in each year determine the adjustment to the *periodic investment returns cap* promptly following publication of the relevant CPI (or successor or replacement index) data by the Office for National Statistics (or such successor or other organisation as may be responsible for publishing official data with respect to the relevant index) and will notify *members* of the adjusted *periodic investment returns cap* not later than at the first Annual General Meeting following publication of the relevant data. In the event that adjustment of the *periodic investment returns cap* in the manner described above would prejudice the regulatory capital treatment of the *deferred share (core capital) investment*, the Society will disapply those adjustment provisions and the *periodic investment returns cap* will remain at (or revert to) £15 per share

person - any individual or body corporate

postal ballot - a ballot conducted as a postal ballot in accordance with the *legislation* and these Rules or, if the *Board* permits any voting in the ballot to take place as *electronic voting*, a ballot conducted as an *electronic ballot*

preferred share investment - a *share investment* the terms of which entitle holders to priority of repayment over holders of *share investments* generally on a winding up or dissolution

qualified two year member - a *member* who, in the case of a *member* who is an individual, is at least 18 years of age at the relevant date (as explained below) and who

- (a) held a *share investment* with a value of at least £100 (except in relation to Rule 30 (Nomination for Election of Directors) where the value is at least £200)* throughout the period of two years ending on the relevant date (and for this purpose a *person* will be treated as holding a *share investment* during any period when his *share investment* was cancelled under Rule 5(b)(iv), provided that his *share investment* is reinstated before the end of the two year period); or
- (b) owed at least £100 (except in relation to Rule 30 (Nomination for Election of Directors) where the value is at least £200)* on a *mortgage loan* throughout the period of two years ending on the relevant date.

The relevant date means, for each of the following purposes, the date shown beside it:

Purpose	Date
Nominating a candidate for election as a Director	The date on which the Society receives the nomination
Requesting the Society to call a Special General Meeting	The date on which the Society receives the request
Requesting the Society to put a resolution to an Annual General Meeting	The date on which the Society receives the request

qualified voting member - a *member* who is eligible to vote on a *resolution* at a general meeting or in a *postal ballot*, namely, a *member* who:

- (a) in the case of a *member* who is an individual, is at least 18 years of age at the date of the meeting or (in the case of a *postal ballot*) at the closing date for the receipt of *voting papers*; and
- (b) meets either the requirements to vote as an *investing member* set out in subparagraph (1) below, or the requirements to vote as a *borrowing member* set out in subparagraph (2) below.

(1) *Investing members*

The requirements to vote as an *investing member* on an *ordinary resolution*, a *special resolution* or an *investing members' resolution* are that the *member*:

- (i) held a *share investment* at the end of the *financial year* before the voting date;

* These amounts have been updated in light of the amendments to the Building Societies Act 1986 pursuant to the Building Societies Act 1986 (Substitution of Specified Amounts and Modification of the Funding Limit Calculation) Order 2007 (SI 2007/860)

- (ii) held a *share investment* with a value of at least £100 on the *voting qualification date*; and
- (iii) held a *share investment* on the *voting date*.

(2) *Borrowing members*

The requirements to vote as a *borrowing member* on an *ordinary resolution*, a *special resolution* or a *borrowing members' resolution* are that the *member* owed at least £100 on a *mortgage loan* both at the end of the *financial year* before the *voting date* and on the *voting date*.

quorum - the minimum number of people required for a meeting

resolution - a *resolution of members* passed at a general meeting or on a *postal ballot*

share investment - an investment classed as shares under the terms and conditions of the account

special resolution - a *resolution* which may be passed only by a majority of 75% of votes cast in favour of the *resolution*

voting date - the date of the general meeting at which any *resolution* is to be moved, except that:

- (a) where the voting is to be conducted by *postal ballot*, the voting date is the closing date for the receipt of *voting papers*; and
- (b) in the case of a *member* who appoints a proxy to vote at a meeting, the voting date is the last date fixed under Rule 25(b) (ii) for the receipt of proxy forms

voting paper - a paper or an *electronic communication* in such form as may be approved by the *Board* from time to time for the purpose of a *member* casting a vote in a *postal ballot* or an *electronic ballot*

voting qualification date - in the case of a meeting or *postal ballot* held between the beginning of the *financial year* and the conclusion of the Annual General Meeting for that year, the last day of the preceding *financial year*; in any other case, the day which falls 56 days before the date of the meeting or (as the case may be) the closing date for the receipt of *voting papers*.

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