



Notice of Annual General Meeting

3 May 2017

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about its contents or the action you should take, you are recommended to seek your own personal financial advice from your stockbroker or other independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have recently sold or transferred all of your shares in Secure Trust Bank PLC, please forward this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.



Arbuthnot House
7 Wilson Street
London
EC2M 2SN

7 April 2017

Dear Shareholder

Annual General Meeting

I am writing to provide you with information about the 2017 Annual General Meeting (“AGM”) of Secure Trust Bank PLC (“STB”).

The AGM will be held on Wednesday 3 May 2017 at Arbuthnot House, 7 Wilson Street, London EC2M 2SN at 3.00 p.m. Shareholder registration will be available from 2.30 p.m.

I am enclosing a notice of AGM, which provides information about the resolutions to be proposed and a form of proxy.

The Report and Accounts in respect of the financial year ended 31 December 2016 are available on STB’s website at <https://www.securetrustbank.com> and I am enclosing a copy for your convenience.

The notice of AGM contains resolutions typical for a listed company on the premium segment of the main market of the London Stock Exchange (“Main Market”) including proposals for new employee share award schemes, approval of a new remuneration policy and changes in the Company’s articles consistent with common practice for listed companies.

What to do next

Information about attending and voting at the AGM and how to appoint a proxy on your behalf is on pages 7 to 8 of this circular. Forms of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be lodged with Capita Asset Services not later than 48 hours before the time for which the Annual General Meeting is convened. Please note that Monday 1 May 2017 is a Bank Holiday in England and Capita Asset Services will not be open for business on that day. All Forms of Proxy must be signed and returned to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU. All Forms of Proxy from the same member must be returned together in the same envelope. Appointment of a proxy will not prevent you from attending the AGM and voting in person should you so wish to do so.

Documents available for inspection

The following documents are available for inspection at the registered office of the Company at One Arleston Way, Solihull, B90 4LH during usual business hours on any weekday (public holidays excepted) from 7 April 2017 until the conclusion of the AGM and will also be available for inspection at the AGM venue from at least 15 minutes before the AGM until it ends:

- a copy of the Company’s memorandum of association and articles of association;
- a copy of the proposed New Articles of Association;
- copies of the service contracts or letters of appointment of the Directors of the Company;
- copies of the rules of the Secure Trust Bank 2017 Long-Term Incentive Plan, the rules of the Secure Trust Bank 2017 Deferred Bonus Plan and the rules of the Secure Trust Bank 2017 Sharesave Plan; and
- the Report and Accounts.

Explanatory Notes

Explanatory notes on each of the resolutions to be considered at the AGM are set out on pages 9 to 11 of this circular.

Appendix 1 to this circular contains biographical details of each Director seeking election.

Appendix 2 to this circular summarises the proposed share plans.

Appendix 3 to this circular summarises the proposed changes to the Articles of Association.

Recommendation

The Directors believe that all the proposed Resolutions to be considered at the AGM are in the best interests of the Company and shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions, as they intend to do in respect of their own beneficial holdings.

The AGM is an opportunity for shareholders to express their views directly to the Board and I hope that you will take the opportunity to do so.

Yours sincerely

Lord Forsyth
Chairman



Notice of Annual General Meeting

Your attention is drawn to the notes on pages 9 to 11 of this document explaining the resolutions.

NOTICE IS HEREBY GIVEN that the sixty-second Annual General Meeting of the Company will be held at Arbutnot House, 7 Wilson Street, London EC2M 2SN on Wednesday, 3 May 2017 at 3pm for the following purposes:

ORDINARY BUSINESS

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the reports of the Directors and the financial statements for the year ended 31 December 2016 and the auditor's report on the financial statements.
2. To declare a final dividend in respect of the year ended 31 December 2016 which the Directors propose should be 58 pence per ordinary share, payable on 12 May 2017 to shareholders on the register of members at the close of business on 18 April 2017.
3. To re-elect Sir Henry Angest as a Director who retires by rotation in accordance with Article 82 of the Articles of Association and offers himself for re-election.
4. To re-elect Mr Andrew Salmon as a Director who retires by rotation in accordance with Article 82 of the Articles of Association and offers himself for re-election.
5. To re-elect Mrs Ann Berresford as a Director who having been appointed as a Director since the last Annual General Meeting offers herself for re-election.
6. To re-elect Mrs Victoria Stewart as a Director who having been appointed as a Director since the last Annual General Meeting offers herself for re-election.
7. To re-appoint KPMG LLP as the Company's auditor to hold office until the conclusion of the next Annual General Meeting of the Company.
8. To authorise the Directors to fix the remuneration of KPMG LLP as auditor.

SPECIAL BUSINESS

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

9. THAT for the purposes of section 551 of the Companies Act 2006 (the 'Act') the Directors are generally and unconditionally authorised in accordance with Article 6 of the Articles of Association of the Company
- a. to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ('relevant securities') up to an aggregate nominal amount of £2,463,363 (being the 'Section 551 Amount' for the purposes of such Article); and
 - b. to allot relevant securities comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £4,926,727 (this amount to be reduced by the aggregate nominal amount of any relevant securities issued under paragraph (a) of this resolution) in connection with an offer by way of a rights issue
 - (1) to ordinary shareholders in proportion (as nearly as may be) to their existing holdings; and
 - (2) to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal or practical problems in or arising under the laws of any territory or the requirements of any regulatory body or stock exchange or any other matter, such authority to expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of 15 months from the date this resolution is passed and the conclusion of the Annual General Meeting of the Company to be held in 2018 (being the 'prescribed period' for the purposes of such Article) upon the terms set out in the said Article.

10. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2016 (other than the part containing the Directors' Remuneration Policy).
11. To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 December 2016.
12. THAT:
- a. the rules of the Secure Trust Bank 2017 Long-Term Incentive Plan, in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification (the '**LTIP**') the principal terms of which are summarised in Appendix 2 to the circular containing the Notice of 2017 Annual General Meeting, be and they are hereby approved and the Directors be and they are hereby authorised to adopt the LTIP and to do all acts and things that they consider necessary or expedient to give effect to the LTIP; and
 - b. the Directors be and are hereby authorised to adopt further schemes based on the LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the LTIP.
13. THAT:
- a. the rules of the Secure Trust Bank 2017 Deferred Bonus Plan, in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification (the '**DBP**') the principal terms of which are summarised in Appendix 2 to the circular containing the Notice of 2017 Annual General Meeting, be and they are hereby approved and the Directors be and they are hereby authorised to adopt the DBP and to do all acts and things that they consider necessary or expedient to give effect to the DBP; and
 - b. the Directors be and are hereby authorised to adopt further schemes based on the DBP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the DBP.
14. THAT:
- a. the rules of the Secure Trust Bank 2017 Sharesave Plan, in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification (the '**Sharesave**') the principal terms of which are summarised in Appendix 2 to the circular containing the Notice of 2017 Annual General Meeting, be and they are hereby approved and the Directors be and they are hereby authorised to adopt the Sharesave and to do all acts and things that they consider necessary or expedient to give effect to the Sharesave; and
 - b. the Directors be and are hereby authorised to adopt further schemes based on the Sharesave but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the Sharesave.



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SPECIAL RESOLUTIONS

To consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions:

15. THAT subject to and conditionally upon the passing of resolution 9 at the Annual General Meeting of the Company held on 3 May 2017 or any adjournment thereof, the Directors are given the power pursuant to section 570 of the Companies Act 2006 (the 'Act') and in accordance with Article 6 of the Articles of Association of the Company to allot equity securities (as defined in section 560(1) of the Act) for cash and to sell equity securities for cash if, immediately before such sale, such shares are held by the Company as treasury shares (within the meaning of section 724(5) of the Act), in each case as if section 561(1) of the Act did not apply to such allotment or sale during the prescribed period referred to in resolution 9 (1) in connection with a pre-emptive issue (as defined in that Article) and (2) otherwise than in connection with a pre-emptive issue up to an aggregate nominal amount of £369,504 (being the 'Section 561 Amount' for the purposes of that Article), upon the terms set out in that Article.
16. THAT subject to and conditionally upon the passing of resolution 9 at the Annual General Meeting of the Company held on 3 May 2017 or any adjournment thereof, the Directors are given the power in addition to any authority granted under resolution 15 to allot equity securities (as defined in the Act) for cash under the authority given by resolution 9 and/or to sell equity securities for cash if, immediately before such sale, such shares are held by the Company as treasury shares (within the meaning of section 724(5) of the Act), in each case as if section 561(1) of the Act did not apply to such allotment or sale during the prescribed period referred to in resolution 9, provided such powers shall be:
 - a. limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £369,504; and
 - b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group before 7 April 2017, but before its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
17. THAT the Company is generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Companies Act 2006) of ordinary shares of 40p each in the capital of the Company ('ordinary shares') provided that:
 - a. the maximum number of ordinary shares authorised to be purchased shall be 1,847,523 (being approximately 10% of the issued share capital of the Company as at 6 April 2017);
 - b. the minimum price which may be paid for an ordinary share shall be 40p;
 - c. the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of (1) an amount equal to 5 per cent above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased and (2) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out;
 - d. this authority shall expire on the earlier of 15 months from the date this resolution is passed and the conclusion of the Annual General Meeting of the Company to be held in 2018 unless such authority is renewed prior to such time; and
 - e. the Company may enter into contracts to purchase ordinary shares under this authority prior to the expiry of such authority, which contracts will or may be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares pursuant to any such contracts.
18. THAT the draft articles of association produced to the meeting and, for the purposes of identification, initialled by the Chairman be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Company's existing articles of association.
19. THAT the Directors are authorised to call a general meeting of the Company, other than an Annual General Meeting, on not less than 14 clear days' notice.

The Directors believe that the proposals in resolutions 1 to 19 are in the best interests of the Company and the shareholders as a whole and recommend that you vote in favour of all the resolutions. The Directors intend to vote in favour of these resolutions in respect of their own beneficial shareholdings in the Company.

By order of the Board

A.J. Karter
Secretary
7 April 2017

Registered Office
One Arlestone Way
Solihull, B90 4LH

NOTES:

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the relevant register of members (the 'Register') for certificated or uncertificated shares of the Company (as the case may be) at the close of business on 1 May 2017 (the 'Specified Time') will be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting. Should the Annual General Meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Annual General Meeting. Should the Annual General Meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned Annual General Meeting, or, if the Company gives notice of the adjourned Annual General Meeting, at the time specified in the Notice.
2. Members who want to attend and vote should either attend in person or appoint a proxy or corporate representative to attend, speak and vote on his/her behalf. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member. A paper Form of Proxy is enclosed. A separate Form of Proxy must be deposited for each proxy appointed. Further copies of the Form of Proxy may be obtained from Capita Asset Services or you may photocopy the Form of Proxy which is enclosed. If multiple proxies are appointed, please indicate on the line provided in each Form of Proxy the number of shares in relation to which the person named in the Form of Proxy is authorised to act as proxy, and also tick the box indicating that the proxy instruction is one of multiple instructions being given. Where multiple proxies are appointed, failure to specify the number of shares to which the proxy appointment relates, or specifying a number which exceeds the number held by the member when totalled with the number specified on other proxy appointments by the same member, will render all the appointments invalid.

Please read carefully the instructions on how to complete the form.

Forms of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be lodged with Capita Asset Services not later than 48 hours before the time for which the Annual General Meeting is convened. Please note that Monday 1 May 2017 is a Bank Holiday in England and Capita Asset Services will not be open for business on that day. All Forms of Proxy must be signed and returned to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU. All Forms of Proxy from the same member must be returned together in the same envelope.

Completion of a Form of Proxy does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.

For assistance with the completion of the Form of Proxy or other matters relating to your shareholding in the Company, please call Capita Asset Services on 0871 664 0300. Calls cost 12p per minute plus the phone company's access charge. If the person calling is outside the United Kingdom, please call +44 371 664 0300. Calls from outside the United Kingdom will be charged at the applicable international rate. Capita Asset Services is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as specified in the CREST Manual (available via <http://www.euroclear.com/CREST>). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) not later than the time stated in this Note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change in instructions to proxies appointed through CREST should be communicated to the appointee through other means.



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CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. Reference should be made to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.

3. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
4. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
5. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
6. As at 6 April 2017 (being the last business day prior to the publication of the Notice of Annual General Meeting) the Company's issued share capital consists of 18,475,229 ordinary shares carrying one vote each.
7. If you have sold or otherwise transferred all your ordinary shares in the Company, please forward this document to the purchaser or transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected for transmission to the purchaser or transferee.
8. There are no service contracts of Directors other than ones which may be terminated on up to 12 months' notice at any time. Copies of these service agreements will be available for inspection at the Company's registered office during usual business hours, Monday to Friday (public holidays excepted) from the date of this Notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Annual General Meeting.
9. Copies of the rules of the Company's proposed Long Term Incentive Plan, Deferred Bonus Plan and Sharesave Plan and a copy of the Company's existing articles of association and the proposed new articles of association marked to show all the changes will be available for inspection at 7 Wilson Street, London, EC2M 2SN during usual business hours, Monday to Friday (public holidays excepted) from the date of this Notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Annual General Meeting.
10. A copy of this Notice, and other information required by section 311A of the Companies Act 2006 can be found at www.securetrustbank.com.

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING:

The Notice of the Annual General Meeting of the Company to be held on Wednesday, 3 May 2017 is set out on pages 4 to 8 of this circular. The following notes provide an explanation of the resolutions to be put to shareholders.

Resolutions 1 to 14 are ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour.

Resolution 1 – Presenting the Accounts

1. The Directors are required by the Companies Act 2006 to present to the shareholders of the Company at a general meeting the reports of the Directors and auditor and the audited accounts of the Company for the year ended 31 December 2016. The reports of the Directors and the audited accounts have been approved by the Directors and the report of the auditor has been approved by the auditor and a copy of each of these documents may be found in the Annual Report and Accounts.

Resolution 2 – Declaration of Dividend

2. In accordance with the Articles of Association of the Company and the Companies Act 2006 the Directors are proposing a final dividend in respect of the year ended 31 December 2016. The Directors propose that this should be 58 pence per ordinary share. The dividend, if approved by shareholders, would be payable on 12 May 2017 to shareholders on the register of members at the close of business on 18 April 2017.

Resolutions 3 to 6 – Re-election of Directors

- 3-6. Biographical information for the Directors is shown on pages 56 and 57 of the Annual Report and Accounts, and also in Appendix 1 to this document. Details of why the Board believe that the relevant Directors should be re-elected are included in the Governance Report in the Annual Report and Accounts.

Under the Articles of Association of the Company while Arbuthnot Banking Group owned 50% or more of the Company the Directors appointed by it (Sir Henry Angest and Mr Andrew Salmon) were not required to retire by rotation. Following the sell down by Arbuthnot Banking Group in June 2016 they are now subject to the provisions of the Articles of Association in relation to retirement by rotation.

Mrs Ann Berresford and Mrs Victoria Stewart were appointed as Directors on 22 November 2016. Accordingly, as contemplated by the UK Corporate Governance Code they have submitted themselves for re-election at the 2017 Annual General Meeting which is the first such meeting since they were appointed.

Resolution 7 – Auditor's Reappointment

7. The Companies Act 2006 requires that an auditor is appointed at each General Meeting at which accounts are laid to hold office until the next such meeting. The resolution seeks shareholder approval for the reappointment of KPMG LLP. The Audit Committee keeps under review the independence and objectivity of the external auditor, further information on which can be found in the Audit Committee report in the Annual Report and Accounts. After considering relevant information, the Audit Committee recommended to the Board that KPMG LLP be re-appointed.

Resolution 8 – Auditor's Remuneration

8. This resolution gives the Directors the authority to determine the remuneration of the auditor for the audit work to be carried out by them in the next financial year. The amount of the remuneration paid to the auditor for the next financial year will be disclosed in the next audited accounts of the Company.

Resolution 9 – Authority to the Directors to Allot Shares

9. The Companies Act 2006 provides that the Directors may only allot shares if authorised by shareholders to do so. Resolution 9 will, if passed, authorise the Directors to allot shares and to grant rights to subscribe for or convert securities into shares. The Company has not sought shareholder approval to any such resolutions since 2014 but in light of the step up to the Main Market the Directors wish to have the flexibility contemplated in this resolution in a manner consistent with other Main Market companies.

Paragraph (a) of the resolution will enable the Directors to allot and issue new shares in whatever manner (subject to pre-emption rights) they see fit, up to £2,463,363 (equal to one-third of the issued ordinary share capital of the Company as at 6 April 2017 (excluding treasury shares) the latest practicable date prior to the publication of this Notice).

Paragraph (b) will give the Directors additional authority to allot relevant securities in connection with a rights issue up to an aggregate nominal amount of £4,926,727 (less any ordinary shares issued under paragraph (a) of this resolution). This amount (before any reduction) represents approximately two thirds of the issued ordinary share capital of the Company as at 6 April 2017, the latest practicable date before the publication of this Notice and is considered routine by the Investment Association.



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The authority will expire at the earlier of the date that is 15 months after the date of the passing of the resolution and the conclusion of the next Annual General Meeting of the Company.

Passing resolution 9 will ensure that the Directors continue to have the flexibility to act in the best interests of shareholders when opportunities arise by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

As at 6 April 2017, the latest practicable date prior to the publication of the Notice, the Company had 18,475,229 ordinary shares of 40 pence each in issue. The Company held no treasury shares as at that date.

Resolutions 10 and 11 – Directors' Remuneration Report and Directors' Remuneration Policy

10. Resolutions 10 and 11 result from the Company's step up to the Main Market in October 2016. The Company is now required to comply with the provisions applicable to quoted companies in relation to the remuneration report. The Directors' Remuneration Report is divided into two parts:
- an annual statement, which is shown on pages 70 to 71 of the Annual Report and Accounts, and an annual report on remuneration, which starts at page 82 of the Annual Report and Accounts (together the 'Annual Remuneration Report'); and
 - the proposed Directors' Remuneration Policy (the 'Remuneration Policy') which starts at page 72 of the Annual Report and Accounts.

The Companies Act 2006 requires the Company to seek an advisory shareholder vote on the Annual Remuneration Report on an annual basis. Resolution 10 deals with this.

11. The Companies Act 2006 also requires the Company to have received shareholder approval of a Remuneration Policy for its Directors. This is a binding policy and, after it takes effect, the Directors will not be entitled to remuneration unless such remuneration is consistent with the approved policy from time to time or shareholders otherwise approve the remuneration. The Company has not previously sought approval for a Remuneration Policy as it was not required to do so prior to its step up to the Main Market in October 2016. Approval of the new policy is sought in resolution 11 and, if approved, the policy will take effect from the end of the 2017 Annual General Meeting.

Resolutions 12, 13 and 14 – Approval of New Employee Share Plans

- 12-14. These resolutions are to approve the adoption of three new employees' share plans. The employees' share plans are being proposed in order to align the interests of those participating in the plans with the interest of shareholders and to provide an additional means of managing the retention and incentivisation of staff. Summaries of the principal terms of the plans are set out in Appendix 2 to this document. The rules of the plans are available for inspection as referred to in Note 9 to the Notice of 2017 Annual General Meeting.

Resolutions 15 to 19 are special resolutions. These resolutions will be passed if not less than 75% of the votes cast for or against are in favour.

Resolution 15 and 16 – Partial Disapplication of Statutory Pre-emption Rights

- 15-16. The Companies Act 2006 requires that where shares are issued or treasury shares are sold for cash they must first be offered to the existing shareholders on a pre-emptive basis in accordance with a particular procedure. The Directors believe that this would be too restrictive to enable the Company to take advantage of opportunities which may arise. The Directors are therefore seeking authority (with resolutions 15 and 16) to be able to issue shares or sell treasury shares for cash in certain circumstances without complying with the statutory pre-emption procedure.

The Pre-Emption Group's Statement of Principles, as updated in March 2015, supports the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities and sales of treasury shares for cash representing no more than 5 per cent of issued ordinary share capital (exclusive of treasury shares), without restriction as to the use of proceeds of those allotments.

Accordingly, resolution 15 allows the Directors to allot shares and sell treasury shares for cash (i) in connection with a pre-emptive offer or pre-emptive rights issue or (ii) otherwise up to a nominal value of £369,504, equivalent to 5 per cent of the total issued ordinary share capital of the Company excluding treasury shares as at 6 April 2017, without first having to offer them to existing shareholders in proportion to their holdings.

The Pre-Emption Group's Statement of Principles also supports the annual disapplication of pre-emption rights in respect of allotments of shares and sales of treasury shares for cash representing no more than an additional 5 per cent of issued ordinary share capital (exclusive of treasury shares), to be used only in connection with an acquisition or specified capital investment.

Accordingly, and in line with the template resolutions published by the Pre-Emption Group in May 2016, the purpose of resolution 16 is to authorise the Directors to allot new shares pursuant to the allotment authority given by resolution 9, or sell treasury shares, for cash up to a further nominal amount of £369,504, equivalent to 5 per cent of the total issued ordinary share capital of the Company as at 6 April 2017, excluding treasury shares, only in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

The Board intends to adhere to the provisions in the Pre-Emption Group's Statement of Principles and not to allot shares or other equity securities or sell treasury shares for cash on a non-pre-emptive basis pursuant to the authority in resolutions 15 and 16 in excess of an amount equal to 7.5 per cent of the total issued ordinary share capital of the Company (excluding treasury shares) within a rolling three-year period, other than with prior consultation with shareholders or in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

Resolution 17 – Purchase of Own Shares by the Company

17. If passed, this resolution will grant the Company authority for a period of up to 15 months after the date of passing of the resolution to buy its own shares in the market. The resolution limits the number of shares that may be purchased to approximately 10% of the Company's issued share capital. The price per ordinary share that the Company may pay is set at a minimum amount (excluding expenses) of 40 pence per ordinary share and a maximum amount (excluding expenses) which is the higher of (1) an amount equal to 5% above the average of the closing middle market price of the ordinary shares (as derived from the London Stock Exchange Daily Official List) for the 5 business days immediately preceding the date on which the share is contracted to be purchased and (2) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out.

The Directors' present intention is that shares purchased pursuant to this authority will be cancelled immediately on purchase. Alternatively, the shares may be held in treasury, sold for cash or (provided Listing Rule requirements are met) transferred for the purposes of or pursuant to an employees' share scheme. The effect of any cancellation will be to reduce the number of shares in issue. For most purposes, while held in treasury, shares are treated as if they have been cancelled (for example, they carry no voting rights and do not rank for dividends). The Directors will only make purchases under this authority if they believe that the effect of such purchases (where such shares are purchased for cancellation) would result in increased earnings per share and would be in the interests of the shareholders generally.

Resolution 18 – Adoption of New Articles of Association

18. Under resolution 18, the Company is proposing to adopt new articles of association in substitution for the existing articles of association. The principal changes introduced by the new articles of association are summarised in Appendix 3 to this document.

A copy of the Company's existing articles of association and the proposed new articles of association marked to show all the changes will be available for inspection during usual business hours, Monday to Friday (public holidays excepted) at 7 Wilson Street, London, EC2M 2SN from the date of the Notice until the date of the Annual General Meeting and at the place of the Annual General Meeting at least 15 minutes prior to and during the meeting.

Resolution 19 – Approving the Notice Period for General Meetings

19. In order to maintain its ability to call general meetings (other than an Annual General Meeting) on 14 clear days' notice, the Company must offer all shareholders the ability to appoint a proxy electronically (via the website of the Company or its registrars) and must obtain the approval of its shareholders by means of a special resolution passed each year. Resolution 19 seeks such approval. It is intended that a similar resolution will be proposed at future Annual General Meetings.



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APPENDIX 1

BIOGRAPHIES OF DIRECTORS DUE FOR RE-ELECTION

Sir Henry Angest LLL**Non-Executive Director**

Sir Henry Angest was appointed to the Board by Arbuthnot Banking Group. He is an experienced and respected banker. He is a past Master of the Worshipful Company of International Bankers, Chairman and Chief Executive of Arbuthnot Banking Group and Chairman of Arbuthnot Latham & Co., Limited. He gained extensive national and international experience as an executive of the DOW Chemical Company and DOW Banking Corporation. He was chairman of the banking committee of the London Investment Banking Association and a director of the Institute of Directors. He has a law degree from the University of Basel. Sir Henry stepped down as Chairman of the Company on 19 October 2016. Sir Henry is Chairman of the Remuneration Committee and a member of the Nomination Committee and was Chairman of the Company between 1982 and 2016.

Andrew Salmon ACA**Non-Executive Director**

Andrew Salmon joined Arbuthnot Banking Group in 1997 and is its Chief Operating Officer and Head of Business Development. He was previously a director of Hambros Bank Limited and qualified as a Chartered Accountant with KPMG. Andrew is appointed by Arbuthnot Banking Group to the board of Secure Trust Bank. Andrew is a member of the Audit, Assets and Liabilities, Remuneration, Risk and Nomination Committees.

Ann Berresford**Independent Non-Executive Director**

Ann Berresford is a Chartered Accountant with a background in the financial services and energy sectors. She has held positions at Triodos Renewables plc, Hyperion Insurance Group, the Pension Protection Fund, Bank of Ireland Group, Clyde Petroleum plc and Grant Thornton. She is currently a non-executive director of the Bath Building Society and the Pensions Regulator and is an independent trustee to the Avon Pension Fund. Ann was appointed a director of the Company on 22 November 2016. Ann is a member of the Audit and Nomination Committees.

Victoria Stewart**Independent Non-Executive Director**

Victoria Stewart has for many years been a fund manager and investor in UK small companies. She has knowledge of corporate structures and capital markets with particular experience in smaller companies listed on the Main Market and AIM. She has held a number of positions at Royal London Group and Chiswell Associates (formerly Cantrade Investment Management Limited and now part of Sarasin & Partners). Victoria was appointed as a director of the Company on 22 November 2016. Victoria is a member of the Remuneration Committee.

APPENDIX 2

SUMMARIES OF THE PRINCIPAL TERMS OF THE PROPOSED NEW EMPLOYEES' SHARE PLANS

Resolutions 12, 13 and 14 relate to the proposal to adopt three new employee share plans: The Secure Trust Bank 2017 Long-Term Incentive Plan (the '**LTIP**'); The Secure Trust Bank 2017 Deferred Bonus Plan (the '**DBP**'); and The Secure Trust Bank 2017 Sharesave Plan (the '**Sharesave**'). Summaries of the principal terms of the plans are set out below. Certain provisions which apply to all of the plans are set out after the plan specific summaries.

The Secure Trust Bank 2017 Long-Term Incentive Plan (the 'LTIP')

The LTIP is a discretionary share plan which will be administered by the Board or a committee appointed by the Board. Decisions in relation to the participation in the LTIP by executive Directors of the Company will be taken by the Remuneration Committee, and references in this summary to the Board should be read accordingly.

Eligibility

Any employee (including an executive Director) of the Company or any of its subsidiaries will be eligible to participate in the LTIP at the discretion of the Board.

Form of Awards

An Award under the LTIP may be in the form of:

- (a) a conditional right to acquire ordinary shares in the Company ('**Shares**') at no cost (a '**Conditional Award**');
- (b) an option to acquire Shares at no cost or for a nominal exercise price (an '**Option**'); or
- (c) a right to a cash amount related to the value of a number of Shares (a '**Cash Award**').

In this summary, Conditional Awards, Options and Cash Awards are together referred to as '**Awards**'. References to Shares include notional Shares to which a Cash Award relates. Before Shares have been delivered, the Board may decide to pay a cash amount equal to the value of the Shares the participant would otherwise have received.

Performance Conditions

Unless the Board determines otherwise, Awards will be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the Award which will vest at the end of a performance period. A performance period will usually be three years long.

Awards granted to executive Directors of the Company will ordinarily be subject to performance conditions determined by the Board. However, awards granted to facilitate the recruitment of an executive Director may be granted without a performance condition.

A performance condition may be amended or substituted if an event occurs which causes the Board to consider that either an amendment or a substitution would be appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

Individual limit

A Participant shall not be granted an Award in respect of any financial year of the Company over Shares with a market value (as determined by the Board) in excess of 100% of his annual base salary. Any award granted to facilitate the recruitment of an employee shall not be subject to or taken into account for the purposes of this limit.

Vesting and exercise

Awards subject to a performance condition will normally vest as soon as practicable after the end of the performance period to the extent that the performance condition has been satisfied. Awards not subject to a performance condition will usually vest on the third anniversary of the grant date (or on such other date or dates as the Board determines).

Awards may be subject to a '**Holding Period**' of up to two years following vesting as determined by the Board. An Award which is subject to a Holding Period will be released (so that the participant is entitled to acquire the Shares) following the end of the Holding Period. Awards not subject to a Holding Period will ordinarily be released at vesting.

Options will normally be exercisable from the date of release until the tenth anniversary of the grant date.

Where Awards are not subject to a holding period, the Board may impose a requirement that Shares acquired following the release of the Award at vesting may be subject to restrictions on their disposal for a period of up to two years from vesting (other than Shares sold to cover tax liabilities arising in relation to the Award).



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Cessation of employment – Unvested Awards

If a participant ceases employment by reason of death, ill-health, injury, disability or for any other reason at the Board's discretion (a 'Good Leaver'), any unvested Award he holds will usually continue and be released at the normal release date. The Board will have discretion to release the Award at cessation of employment or at some other time (such as following the end of the performance period in the case of an Award which would otherwise be subject to a Holding Period).

The extent to which an Award held by a Good Leaver is released will be determined by reference to the extent to which any performance condition has been satisfied (as determined by the Board in the event of release before the end of the performance period).

Unless the Board determines otherwise, the extent to which an Award is released will be reduced to take account of the proportion of the performance period that has elapsed at the date of cessation (in the case of an Award subject to a performance condition) or the proportion of the period from grant to the originally anticipated vesting date that has elapsed at the date of cessation (in the case of an Award not subject to a performance condition).

Cessation of employment – Vested but unreleased Awards

If an Award is granted subject to a Holding Period and the participant ceases employment during the Holding Period, the Award will be released, to the extent vested, at the normal release date unless the participant is summarily dismissed (in which case the Award will lapse). The Board will have discretion to release the Award at the date of cessation.

Exercise period for Options

If a participant ceases employment while holding a vested Award in the form of an Option, that Option (unless cessation is due to summary dismissal, in which case it will lapse on cessation of employment) may be exercised for a period of six months (12 months in the event of death) beginning with the date of cessation of employment (if it had already been released) or the date of release (if it had not already been released). The Board may permit the exercise of an Option during a longer period.

Corporate events

In the event of a change of control of the Company, unvested Awards will vest and be released (and vested but unreleased awards will be released) as soon as practicable.

Unvested Awards will vest taking into account the extent to which any performance condition has been satisfied at the date of change of control (as determined by the Board) and, unless the Board determines otherwise, taking into account the proportion of the performance period (or period from grant to the originally anticipated vesting date in the case of an Award that is not subject to a performance condition) that has elapsed.

If other events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares, the Board may determine that Awards will vest and be released conditional on the event occurring. Vesting of Awards will be subject to the satisfaction of the performance condition (as determined by the Board) and, unless the Board determines otherwise, the proportion of the performance period (or period from grant to the originally anticipated vesting date in the case of an Award not subject to a performance condition) that has elapsed.

Malus and clawback

The malus and clawback provisions referred to below may be applied at any time up to the fifth anniversary of the grant date.

If the malus and clawback provisions are to be applied, the Board may cancel the relevant Award or impose further conditions on it (if Shares have not been delivered in respect of it) or may require the participant to make a payment to the Company in respect of some or all of the Shares acquired.

The malus provisions may be applied if: (1) the participant is dismissed for gross misconduct or receives a formal written warning for gross misconduct, as defined by the Company's disciplinary policy; (2) the Company suffers a material loss arising from the participant operating outside of agreed risk policy parameters so that the Board considers a material failure of risk management has occurred; (3) the level of award is not considered sustainable when assessing the overall financial viability of the Company; (4) the Participant is subject to a regulatory censure in respect of a material failure in control.

The clawback provisions may be applied if: (1) there is a material misstatement resulting in an adjustment to the audited consolidated accounts of the Company; (2) the assessment of any performance target or condition in respect of an Award was based on material error or materially inaccurate or misleading information; (3) the discovery that any information used to determine the Award was based on material error or materially inaccurate or misleading information; (4) action or conduct of the participant which, in the reasonable opinion of the Board amounts to fraud or gross misconduct; (5) the Participant is subject to a regulatory censure in respect of a material failure in control.

The Secure Trust Bank 2017 Deferred Bonus Plan (the 'DBP')

The DBP is a discretionary share plan which will be administered by the Board or a committee appointed by the Board. Decisions in relation to the participation in the DBP by executive Directors of the Company will be taken by the Remuneration Committee, and references in this summary to the Board should be read accordingly.

Eligibility

Any employee (including an executive Director) or former employee of the Company or any of its subsidiaries will be eligible to participate in the DBP at the discretion of the Board. Awards under the DBP will only be granted to an eligible employee who is to receive some or all of his bonus as an award under the DBP.

Form of Awards

Awards under the DBP can be granted in the same form as awards under The Secure Trust Bank 2017 Long-Term Incentive Plan.

Individual limit

Awards will be granted over Shares with a market value (as determined by the Board) equal to the amount of the bonus to be delivered in the form of an Award.

Vesting and exercise

Awards will usually vest in accordance with the following schedule:

- the Award will vest in respect of one third of the Shares on the first anniversary of the determination of the bonus in respect of which the Award was granted;
- the Award will vest in respect of one third of the Shares on the second anniversary of the determination of the bonus in respect of which the Award was granted; and
- the Award will vest in respect of one third of the Shares on the third anniversary of the determination of the bonus in respect of which the Award was granted.

Options will normally be exercisable from the date of vesting until the tenth anniversary of the grant date.

Cessation of employment – Unvested Awards

If a participant ceases employment by reason of death, ill-health, injury, disability or for any other reason at the Board's discretion (a 'Good Leaver'), any unvested Award he holds will usually continue and vest at the normal vesting date(s). The Board will have discretion to vest the Award at cessation of employment.

Unless the Board determines otherwise, the extent to which an Award vests will be reduced to take account of the proportion of the period from grant to the originally anticipated vesting date that has elapsed at the date of cessation of employment.

Exercise period for Options

If a participant ceases employment while holding a vested Award in the form of an Option, that Option (unless cessation is due to summary dismissal, in which case it will lapse on cessation) may be exercised for a period of six months (12 months in the event of death) beginning with the date of cessation. The Board may permit the exercise of an Option in a longer period.

Corporate events

In the event of a change of control of the Company, unvested Awards will vest and be released as soon as practicable.

If other events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares, the Board may determine that Awards will vest conditional on the event occurring.



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Malus and clawback

The malus and clawback provisions referred to below may be applied for up to three years following the payment of a cash bonus in respect of which an Award is granted.

If the malus and clawback provisions are to be applied, the Board may cancel the relevant Award or impose further conditions on it (if Shares have not been delivered in respect of it) or may require the participant to make a payment to the Company in respect of some or all of the Shares acquired.

The malus provisions may be applied if: (1) the participant is dismissed for gross misconduct or receives a formal written warning for gross misconduct, as defined by the Company's disciplinary policy; (2) the Company suffers a material loss arising from the participant operating outside of agreed risk policy parameters so that the Board considers a material failure of risk management has occurred; (3) the level of award is not considered sustainable when assessing the overall financial viability of the Company; (4) the participant is subject to a regulatory censure in respect of a material failure in control.

The clawback provisions may be applied if: (1) there is a material misstatement resulting in an adjustment to the audited consolidated accounts of the Company; (2) the assessment of any performance target or condition in respect of the bonus in respect of which an Award was granted was based on material error or materially inaccurate or misleading information; (3) the discovery that any information used to determine the Award (or the bonus in respect of which the Award was granted) was based on material error or materially inaccurate or misleading information; (4) action or conduct of the participant which, in the reasonable opinion of the Board amounts to fraud or gross misconduct; (5) the participant is subject to a regulatory censure in respect of a material failure in control.

The Secure Trust Bank 2017 Sharesave Plan (the 'Sharesave')

The Sharesave is an all-employee share option plan which has been designed to meet the requirements of applicable legislation in order that options can be exercised in a tax efficient manner.

Eligibility

Any employee (including an executive Director) of the Company or any of its subsidiaries will be eligible to participate in the Sharesave, although the Board may set a qualifying period of employment.

Savings Contracts and Sharesave Options

An award under the Sharesave will take the form of an option to acquire Shares (a '**Sharesave Option**'). An eligible employee who applies to participate in the Sharesave will enter into a savings contract under which he will commit to save with a savings provider an amount each month from his net pay over a period of three or five years, or such other period as is permitted by the applicable legislation (a '**Savings Contract**').

The Board will decide the maximum amount that a participant can elect to save in respect of any invitation under the Sharesave, up to a maximum of £500 per month (or such other amount as may be permitted by the applicable tax legislation).

The exercise price of a Sharesave Option will be set at a discount of up to 20% (or such other amount as may be permitted by the applicable tax legislation) of the market value of a share at the date on which eligible employees are invited to apply for Sharesave Options.

Vesting and exercise

Sharesave Options will ordinarily vest and become exercisable following the maturity of the Savings Contract. Sharesave Options can be exercised with the proceeds of the Savings Contract.

Cessation of employment

If a participant ceases employment before the maturity of his Savings Contract, his Sharesave Option will ordinarily lapse.

However, if a participant ceases employment due to injury, disability, redundancy, retirement or the sale of his employing entity out of the Company's group, he will be able to exercise his Sharesave Option in the period of six months following cessation of employment to the extent of the proceeds of his Savings Contract.

If a participant ceases employment more than three years after the grant of a Sharesave Option for any reason other than summary dismissal (in which case his Sharesave Option will lapse) he may exercise his Sharesave Option in the period of six months following cessation of employment to the extent of the proceeds of his Savings Contract.

In the event of a participant's death, the Sharesave Option may be exercised in the period of 12 months following the date of death, to the extent of the proceeds of the Savings Contract.

Corporate events

Sharesave Options may be exercised before the scheduled end of the Savings Contract in the event of a change of control in accordance with the applicable legislation and to the extent of the proceeds of the Savings Contract.

Provisions which are common to the LTIP, DBP and Sharesave

Grant of Awards and invitations for Sharesave Options

Awards under the LTIP and DBP may be granted, and invitations to apply for Sharesave Options may be issued, within the six week period following the Company's 2017 Annual General Meeting. Thereafter, ordinarily Awards may only be granted and invitations issued within the six week period following announcement of the Company's results for any period or, in the case of the DBP, the period of six weeks following the determination of the bonus in respect of which the Award is granted. However, the Board may grant Awards or issue invitations at other times in exceptional circumstances. If Awards cannot be granted or invitations cannot be issued in any of these periods due to regulatory restrictions, they may be granted or issued as the case may be within the period of six weeks following the lifting of the restriction.

Overall limits

Awards may be granted over newly issued Shares, treasury Shares or Shares purchased in the market.

In any 10 year period, the number of Shares which may be issued under the LTIP, DBP and Sharesave and under any other employees' share plan adopted by the Company may not exceed 10 per cent of the issued ordinary share capital of the Company from time to time.

The LTIP and DBP are subject to a further limit that in any 10 year period, the number of Shares which may be issued under the LTIP and DBP and under any other discretionary employees' share plan adopted by the Company may not exceed five per cent of the issued ordinary share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies determine otherwise.

Shares subject to awards or options granted prior to the admission of the Company's shares to the Main Market of the London Stock Exchange will not be taken into account for the purposes of these limits.

Adjustment of Awards and Sharesave Options

In the event of a variation of the Company's share capital, the number of Shares subject to an Award or Sharesave Option, any exercise price attaching to an Award or Sharesave Option and/or any performance condition attaching to an LTIP Award, may be adjusted.

The number of Shares subject to LTIP and DBP Awards, any applicable exercise price and any performance condition may also be adjusted in the event of a demerger, delisting, special dividend, rights issue or other event, which may, in the Board's opinion, affect the current or future value of Shares.

Amending the plans, termination of the plans and further terms of Awards

The Board may amend the LTIP, DBP or Sharesave at any time, provided that the approval of the Company's shareholders in a general meeting will be required for any amendments to the advantage of participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash comprised in an Award and the impact of any variation of capital to become effective.

However, any minor amendment to benefit administration, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Board without shareholder approval.

The LTIP, DBP and Sharesave will usually terminate on the tenth anniversary of their approval by shareholders but the rights of existing participants will not be affected by any termination.

Awards and Sharesave Options are not transferable (other than on death). No payment will be required for the grant of an Award or Sharesave Option. Awards and Sharesave Options will not form part of pensionable earnings.



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APPENDIX 3

EXPLANATORY MEMORANDUM ON CHANGES TO THE ARTICLES OF ASSOCIATION

It is proposed in resolution 18 to adopt new articles of association of the Company ('New Articles') in order to update the current articles of association of the Company ('Current Articles'). The substantive changes being proposed are intended to bring the New Articles in line with common practice for listed companies and to provide clarification and additional flexibility.

A summary of the principal changes being proposed is set out below. Other changes which are minor, technical, procedural or of a clarifying nature have not been noted.

References to Arbuthnot Banking Group PLC removed

The Current Articles contain numerous provisions relating to Arbuthnot Banking Group PLC. Given that Arbuthnot Banking Group PLC no longer beneficially owns or has an interest in 50% or more of the issued Ordinary Shares of the Company, these provisions are currently of no effect and have therefore been removed from the New Articles, together with related definitions such as 'Independent Director'.

Removal of cap on non-executive Directors' fees

The New Articles update the Current Articles by removing the cap on non-executive Directors' fees. The limit in the Current Articles was set in 2011 in contemplation of the Company's move to AIM. Since then the Board of the Company has changed, particularly since the step up to the premium segment of the Main Market in October 2016, following which two new non-executive Directors were appointed. As a result of the step up to the Main Market the Company is now subject to the regulations in relation to the approval by shareholders of a remuneration policy. The policy to be submitted to shareholders at the 2017 AGM includes a schedule of fees payable to non-executive Directors which reflects more closely the roles, duties and responsibilities of the non-executive Directors of the Company following the step up. The responsibilities of Directors have increased as a result of the step up and also as a result of regulatory changes including the introduction of the senior managers' regime. The Board concluded that the cap in the Current Articles on non-executive Directors' fees was no longer necessary or appropriate.

When notice deemed served

The Companies Act 2006 contains provision about when notices to shareholders are deemed served and which have effect subject to contrary provisions in a company's articles. It is therefore possible to change the delivery provisions by amending the articles of association. The New Articles update the Current Articles by reducing the period for deemed service of notice by post, otherwise than by first class post, from 72 hours to 48 hours. This follows the ICSA Guidance and is consistent with common practice for listed companies.

Removal of the distinction between ordinary and special business

It is now common practice for a listed company's articles not to make the distinction between ordinary and special business at an Annual General Meeting. The New Articles update the Current Articles by deleting references to ordinary and special business, therefore removing the distinction. The resolutions proposed at an Annual General Meeting will continue to be divided between ordinary and special resolutions.

Removal of Directors

The New Articles increase the proportion of Directors required to serve notice on a Director in order to remove him or her from office from two-thirds as required under the Current Articles, to three-quarters as is recommended under the ABI Guidelines.

Name

The Companies Act 2006 permits a company to change its name by any means provided in the articles. The New Articles update the Current Articles by enabling the Company to change its name by resolution of the Directors. There are no plans to change the Company's name.

Allotment of shares and sale of treasury shares

The Current Articles contain a long form article relating to the allotment of shares and sale of treasury shares and disapplication of pre-emption rights in connection with such allotment or sale. This article allowed shorter forms of resolutions granting the Directors authority to allot and disapplying pre-emption to be proposed at each Annual General Meeting of the Company. In order to provide additional flexibility, the New Articles contain a much simpler and more limited article about the allotment of shares and disapplication of pre-emption rights. Instead, further detail will be included in the resolutions proposed at each future Annual General Meeting.

This has the additional benefit of enabling shareholders to see the detail of the proposal in the relevant resolution without the need to refer back to the articles of association of the Company.

Re-election of Directors appointed during the year

The New Articles update the Current Articles to include a requirement that any person appointed by the Directors to fill a vacancy on, or as an addition to, the Board must be re-elected at the next AGM, in accordance with common practice for listed companies.

Redundant provisions

The New Articles update the Current Articles by removing some unnecessary provisions and their associated definitions such as the definition of 'Operator'.



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