

Private & Confidential – Subject to Legal Privilege – Call with Alisdair Cameron 06.07.2017

Briefing Note

Background

1. At our previous meeting on 17 May, we discussed the findings of Deloitte's investigations into the processes that are in place to control the operation of accounts for which POL places sums, that could relate to discrepancies at branch level, and from which any unmatched sums are taken into the P&L account.
2. It was agreed that once we had profiled these 119 accounts, according to the volume and value of the transactions that have been taken into the P&L account, we would return to agree with you the next steps.
3. Appended to this paper is the list of 96 accounts that have, from 2010 - 2017, taken sums to P&L, ordered by the total value of these transactions. Please note that this list is still in the process of being quality assured by both Paul Smith (FSC) and Deloitte.
4. Paul Smith is also reviewing this list of accounts to provide a view on which accounts he believes should form part of the 'sample testing' described below.
5. Bond Dickinson are providing a list of the Claimants along with the branch(es) and the period(s) of time to which their allegations relate.

Proposed Next Steps

6. Our intention is to sample test sums taken to P&L from the most pertinent account(s) to prove their legitimacy.
7. Which account(s) will be sample tested will be based upon the volume and value of the transactions that have been taken to P&L, coupled with people's knowledge of the types of transactions that flow through these accounts. For the agreed account(s), we intend to focus the sampling on transactions that relate to branches and periods of time relevant to particular Claimants and their allegations.
8. It is also our intention to establish for as many of the Claimants as possible that, for the periods of time to which their respective claims relate, that no amounts relevant to their branch(es) were released to P&L.
9. Further, to give a sense of scale, we are currently attempting to establish the volume and value of sums going in the opposite direction from these 96 accounts i.e. being credited back to branch.

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| Offsetting GL Account | Description | Number of Transactions | Average Transaction Amount | Amount in Local Currency - Suspense Account |
|-----------------------|---|------------------------|----------------------------|---|
| 555078 | Horizon Debit Cards Payments in Clearing | 588,382 | 25.77 | 606,636,954.90 |
| 555079 | Bureau Debit Cards Payments in Clearing | 155,862 | 25.34 | 221,875,109.49 |
| 555071 | Bureau Debit Card Payments In Clearing (s90) | 90,764 | 36.06 | 90,514,398.38 |
| 627026 | FIRST RATE MATCHING TO CLIENT DATA(BULK RETURNS) | 2,003 | 612.21 | 70,071,616.35 |
| 627012 | Camelot Prizes Match to Client Data | 2,518 | 982.55 | 49,926,856.56 |
| 555095 | Self Service Credit and Debit Card Transactions | 51,123 | 27.06 | 34,286,080.61 |
| 627025 | FIRST RATE MATCHING TO CLIENT DATA(BULK PURCHASE) | 120 | 0.60 | 11,262,813.89 |
| 531220 | Branch account corrections (SAPADS) | 16,092 | 104.93 | 5,803,753.03 |
| 627047 | POST OFFICE ATM MATCHING | 1,019 | 35.74 | 4,544,140.00 |
| 626200 | Miscellaneous Client | 178 | 154,357.46 | 3,168,544.69 |
| 555084 | AMEX Retail | 44,740 | 20.50 | 2,691,782.01 |
| 627016 | Camelot Online Sales Matching | 68,382 | 5.71 | 2,664,270.70 |
| 555081 | Post & Go Debit Cards Payments in Clearing | 7,036 | 100.21 | 1,814,848.78 |
| 530122 | A&L ERROR OUTSTANDING FOR SETTLEMENT | 680 | 12.36 | 1,471,735.60 |
| 629452 | Surplus in Rems | 5,101 | 122.24 | 991,110.18 |
| 530119 | A&L Errors Outstanding Withdrawal & CO-OP | 10,104 | 175.61 | 684,733.89 |
| 555085 | AMEX Bureau | 1,560 | 96.98 | 519,259.76 |
| 629506 | Giro Deposit Surpluses | 933 | 77.64 | 492,474.92 |
| 559506 | Vouchers on Hand and in Transit | 1,850 | 27.99 | 377,150.63 |
| 552118 | Foreign Exchange in Pouches (US Dollars) | 617 | 3.89 | 375,490.74 |
| 552117 | Foreign Exchange in Pouches (Euros) | 226 | 1.73 | 312,547.01 |
| 629509 | Inventory Count Surpluses | 401 | 242.94 | 109,074.25 |
| 627031 | MONEYGRAM MATCHING TO CLIENT DATA Receive Txns | 159 | 0.61 | 102,387.22 |
| 539103 | CC Gain Branch TC Req Bureau | 732 | 94.26 | 98,927.94 |
| 626210 | Current Agents Custo | 4 | 46,884.37 | 46,884.37 |
| 629503 | Bullion Pack Surpluses | 261 | 414.10 | 41,996.37 |
| 555080 | Paystation Debit Cards Payments in Clearing | 186 | 66.24 | 33,565.85 |
| 627024 | FIRST RATE MATCHING TO CLIENT DATA(TCHQS RETURN) | 636 | 6,701.62 | 23,088.52 |
| 629507 | Branch Note Surpluses | 119 | 783.49 | 19,800.00 |
| 627230 | Personal Banking Clydesdale Cash Deposits | 430 | 4.45 | 13,504.06 |
| 627243 | HSBC DDA Cheque Encashment | 73 | 15.40 | 7,535.00 |
| 627050 | HANCO ATM MATCHING TO CLIENT DATA | 375 | 1.76 | 5,170.00 |
| 627238 | Personal Banking Halifax Cash Deposits | 371 | 3.32 | 1,273.43 |
| 627072 | BOI ATM RETRACTS | 1 | 740.00 | 740.00 |
| 627223 | Personal Banking Co Op Cheque Withdrawals | 26 | 9.15 | 237.87 |
| 626206 | ATM Surplus Holding | 7 | 10.00 | 100.00 |
| 627252 | Ulster Bank Manual Cash Deposits | 111 | 0.48 | 92.94 |
| 555343 | Former Agents Clearing Code | 2 | 10.00 | 60.00 |
| 627259 | Natwest Bank PACE | 6 | 7.73 | 46.36 |
| 627257 | Royal Bank of Scotland PACE | 1 | 24.50 | 24.50 |
| 629504 | Branch Coin Surpluses | 1 | 12.00 | 12.00 |
| 627233 | Personal Banking First Direct Cheque Withdrawals | 1 | 10.00 | 10.00 |
| 627258 | Ulster Bank PACE | 8 | - | - |
| 627022 | FIRST RATE MATCHING TO CLIENT DATA(CHANGE) | 1 | 1.99 | 1.99 |
| 629403 | Shopping Basket Internet Interface Control | 1 | 4.23 | 4.23 |
| 627211 | A&L Giro Payment Clearing | 1 | 5.00 | 5.00 |
| 531102 | Operator Self Funded Debtors | 1 | 5.00 | 5.00 |
| 627227 | Personal Banking Cahoot Cheque Withdrawals | 1 | 20.00 | 20.00 |

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|--------|--|---------|-----------|---|------------------|
| 627043 | A&L SELF FILL ATM MATCHING | 13 | 5.38 | - | 60.00 |
| 627046 | POST OFFICE ATM MATCHING | 12 | 10.42 | - | 125.00 |
| 627020 | FIRST RATE MATCHING CLIENT DATA TO SETTLEMENT | 13 | 10.28 | - | 133.72 |
| 627232 | Personal Banking First Direct Cash Deposits | 8 | 24.38 | - | 195.00 |
| 627221 | Personal Banking Barclays Cheque Withdrawals | 56 | 12.51 | - | 374.60 |
| 627061 | TRM ATM MATCHING OF SETTLEMENT & CLIENT DATA | 9 | 68.89 | - | 380.00 |
| 627060 | TRM ATM MATCHING TO CLIENT DATA | 32 | 0.63 | - | 390.00 |
| 627225 | Personal Banking Lloyds TSB Cheque Withdrawals | 114 | 10.79 | - | 729.45 |
| 531205 | Former Agents Debt, prior to Branch Trading | 5 | 176.56 | - | 882.81 |
| 627253 | RBS Manual Cash Deposits | 570 | 1.73 | - | 2,253.32 |
| 627222 | Personal Banking Co Op Cash Deposits | 34 | 78.28 | - | 2,661.40 |
| 627051 | HANCO ATM MATCHING OF SETTLEMENT & CLIENT DATA | 19 | - | - | 4,840.00 |
| 627234 | Personal Banking Bank of Ireland Cash Deposits | 221 | 5.56 | - | 5,199.54 |
| 620220 | Emergency Payments suspense | 64 | 476.28 | - | 6,982.22 |
| 627247 | Yorkshire Bank Manual Cash Deposits | 92 | 1.11 | - | 10,085.36 |
| 627226 | Personal Banking Cahoot Cash Deposits | 80 | 3.12 | - | 10,752.23 |
| 552119 | Foreign Exchange in Pouches (Not EUR and USD) | 2 | 656.03 | - | 12,920.68 |
| 626207 | Unresolved Processed | 40 | 4,748.70 | - | 14,173.80 |
| 629510 | Branch Bureau Surpluses | 111 | 8.41 | - | 37,674.47 |
| 539210 | Branch Note Shortages | 279 | 318.11 | - | 41,080.00 |
| 627245 | TSB Bank Cash Deposit | 416 | 231.86 | - | 47,353.60 |
| 626205 | Customer Creditor A& | 9 | 5,587.02 | - | 50,333.16 |
| 621020 | LOAN TO POST OFFICE - SURPLUS | 177 | 0.28 | - | 71,207.47 |
| 627256 | Natwest Bank Manual Cash Deposits | 2,156 | 104.54 | - | 100,223.35 |
| 627027 | FIRST RATE MATCHING TO CLIENT DATA(MARGIN BUY/SELL | 337 | 0.09 | - | 160,737.52 |
| 531222 | CC Loss Branch TC Req Bureau | 2,422 | 95.26 | - | 290,578.10 |
| 627220 | Personal Banking Barclays Cash Deposits | 2,302 | 712.39 | - | 336,740.93 |
| 627224 | Personal Banking Lloyds TSB Cash Deposits | 1,457 | 1,620.32 | - | 390,323.15 |
| 620221 | Emergency Payments Suspense | 898 | 362.83 | - | 447,377.89 |
| 627030 | MONEYGRAM MATCHING TO CLIENT DATA Send Transaction | 988 | 2,798.19 | - | 456,017.98 |
| 627077 | BOI ATM Customer Refunds | 6,211 | 131.42 | - | 541,567.74 |
| 539104 | Surpluses in Brancg To C Centre Remittances | 10,772 | 80.83 | - | 906,249.73 |
| 539108 | Robbery & Burglary Pending Culpability | 178 | 906.04 | - | 1,636,922.96 |
| 539106 | Shortages in Rems held in Suspense | 10,375 | 158.82 | - | 1,788,733.18 |
| 530121 | A&L ERRORS OUTSTANDING (PMR'S) | 21,201 | 262.27 | - | 2,248,573.19 |
| 539107 | Robbery & Burglary Suspense | 248 | 9,380.26 | - | 2,364,967.83 |
| 553101 | Foreign Currency in Transit (delivery to branches) | 75,910 | 1.47 | - | 2,980,615.68 |
| 539591 | Local Suspense | 76,338 | 179.52 | - | 3,730,831.26 |
| 627236 | Paystation Ping Matching Account | 528,913 | 26.47 | - | 6,117,438.68 |
| 559552 | Accounts Receivable Intersystem Control account | 1 | 0.01 | - | 14,419,724.15 |
| 627011 | Camelot £1 Scratchcard matching to client data | 162 | 13,746.81 | - | 15,253,935.36 |
| 622045 | Camelot Cheque Prize Control | 8,264 | 28.51 | - | 23,241,426.60 |
| 553102 | Foreign Currency in Transit (Dispatch from Branch) | 168,506 | 19.81 | - | 43,674,429.86 |
| 627010 | CAMELOT MATCHING TO CLIENT DATA - Online Sales | 217 | 15,885.24 | - | 95,319,613.00 |
| 620119 | Santander AP Sequential Deposits | 13,622 | 25.14 | - | 105,400,940.74 |
| 551200 | Cash Balances in Pouches (\$80) | 346,091 | 12.96 | - | 114,992,268.85 |
| 553002 | Cash in Transit-Notes & Coin collect from branches | 594,639 | 83.69 | - | 1,899,005,492.82 |
| 553001 | Cash in Transit-Notes & Coin delivery to branches | 198,112 | 0.13 | - | 2,848,844,606.61 |