

SIGNET GROUP PLC
Form 6-K
July 24, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO

RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the date of 24 JULY 2008

Commission File Number 001-32349

SIGNET GROUP PLC

(Translation of registrant's name into English)

15 GOLDEN SQUARE, LONDON W1F 9JG, ENGLAND

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____ .

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGNET GROUP PLC

(Registrant)

Date 24 July 2008

By: /s/ WALKER BOYD

Name: Walker Boyd
Title: Authorised Signatory and Group Finance Director

Exhibit Index

- 99.1 Shareholder Circular dated 24 July 2008
- 99.2 Forms of Proxy
- 99.3 Form of Voting Instruction Card

THIS DOCUMENT IS IMPORTANT AND REQUIRES

YOUR IMMEDIATE ATTENTION

Proposed Scheme of Arrangement

to establish

SIGNET GROUP PLC

as a wholly owned subsidiary of

Signet Jewelers Limited

Circular to Signet Shareholders and Signet ADS holders

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

PART II OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 897 OF THE COMPANIES ACT 2006. If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is authorised under the FSMA or, if you are in a territory outside the United Kingdom, is an appropriately authorised independent financial adviser. Capitalised terms used throughout this document have the meanings set forth in Part VIII of this document.

If you have sold or otherwise transferred all of your Signet Shares and/or Signet ADSs, please send this document together with the accompanying documents (but not the enclosed personalised forms of proxy (if applicable)) as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred only part of your holding of Signet Shares and/or Signet ADSs, you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The Signet Jewelers Limited Shares are intended to be listed on the NYSE. Once made, the application for listing on the NYSE is expected to become effective and trading in Signet Jewelers Limited Shares on the NYSE is expected to commence at 2.30 p.m. (9.30 a.m. New York time) on 11 September 2008, being the expected Effective Date. The Signet Jewelers Limited Shares are also intended to be listed on the Official List (by way of a secondary listing). Once made, the application to the UK Listing Authority for listing on the Official List is expected to become effective and trading in Signet Jewelers Limited Shares on the London Stock Exchange's main market for listed securities is expected to commence at 8.00 a.m. on 11 September 2008, being the expected Effective Date.

It is intended that, subject to the Scheme becoming effective: (i) the existing listing of Signet Shares on the Official List and their admission to trading on the London Stock Exchange's main market for listed securities will be cancelled simultaneously with the commencement of trading in Signet Jewelers Limited Shares on the London Stock Exchange's main market for listed securities; and (ii) the existing quotation of Signet ADSs on the NYSE will be cancelled simultaneously with the commencement of trading in Signet Jewelers Limited Shares on the NYSE.

Following implementation of the Proposal, the Takeover Code will not apply to acquisitions of shares in, or offers for shares of, Signet Jewelers Limited.

SIGNET GROUP PLC

Proposed scheme of arrangement

(under Part 26 of the Companies Act 2006)

to establish

Signet Group plc

as a

wholly-owned subsidiary of

Signet Jewelers Limited

The release, publication or distribution of this document and any of the accompanying documents in or into jurisdictions other than the United Kingdom or the United States may be restricted by laws of those jurisdictions and therefore persons into whose possession this document or any of the accompanying documents comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. This document and the accompanying documents have been prepared pursuant to, and for the purposes of complying with, English law and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document and the accompanying documents had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Securities may not be offered or sold in the United States unless registered under the Securities Act and applicable state securities laws or exempt from such registration. In reliance on the exemption provided by section 3(a)(10) of the Securities Act, the issuance of Signet Jewelers Limited Shares has not been, nor will be, registered with the SEC under the Securities Act. In reliance on the pre-emption attached to NYSE listing, the issuance of Signet Jewelers Limited Shares has not been, nor will be, registered under the securities laws of any state or other jurisdiction of the United States. Persons who are affiliates of Signet Jewelers Limited after the implementation of the Scheme will be subject to certain US transfer restrictions relating to Signet Jewelers Limited Shares received under the Scheme.

You should read the whole of this document along with the accompanying documents. Your attention is drawn to the letter from the Chairman of Signet on pages 19 to 24 of this document, recommending that Signet Shareholders vote, and holders of Signet ADSs direct the ADS Depository to vote, in favour of the Scheme of Arrangement at the Court Meeting and in favour of the resolutions relating to the Proposal to be proposed at the Scheme GM.

Your attention is drawn to the section headed **Risk factors** set out on pages 6 to 8 of this document for a discussion of certain factors that should be considered by Signet Shareholders and Signet ADS holders when considering what action to take in connection with the Court Meeting and the Scheme GM.

Notices of the Court Meeting and the Scheme GM, and details of the time, date and venue of each, are set out on pages 84 to 91 of this document.

Signet Shareholders are asked to complete and return the relevant enclosed forms of proxy in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by the Company's registrar, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the relevant meeting. If the form of proxy for the Court Meeting is not lodged by then, it may be handed to the chairman of the Court Meeting before the start of the Court Meeting.

Holders of Signet ADSs are asked to sign and return the enclosed ADS Voting Instruction Card in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by the ADS Depository, at the address indicated on the ADS Voting Instruction Card, not later than 3.00 p.m. (New York time) on 13 August 2008.

The action to be taken by Signet Shareholders and Signet ADS holders is detailed on page 47 of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Lazard & Co., Limited by the FSMA or the regulatory regime established thereunder, Lazard & Co., Limited does not accept any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with Signet, Signet Jewelers Limited, the Signet Shares, the Signet ADSs, the Signet Jewelers

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Limited Shares or the Proposal. Lazard & Co., Limited accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

This document does not constitute an offer or an invitation to any person to subscribe for or to purchase any securities in Signet Jewelers Limited.

No shares in Signet Jewelers Limited have been marketed to, nor are any shares in Signet Jewelers Limited available for purchase by, the public in the United Kingdom or the United States or elsewhere in connection with the introduction of the Signet Jewelers Limited Shares to the NYSE or the Official List. This document does not constitute, and neither Signet nor Signet Jewelers Limited is making, any offer of transferable securities to the public within the meaning of sections 85 and 102B of the FSMA or Part III of the Bermuda Companies Act. This document is not an approved prospectus for the purposes of and as defined in section 85 of the FSMA and has not been prepared in accordance with the Prospectus Rules and has not been approved by the FSA or by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

The statements contained in this document are made as at the date of this document unless some other time is specified in relation to them, and service or delivery of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

Lazard & Co., Limited, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for Signet and Signet Jewelers Limited and no one else in connection with the Proposal and will not be responsible to anyone other than Signet and Signet Jewelers Limited for providing the protections afforded to clients of Signet and Signet Jewelers Limited nor for providing advice in relation to the Proposal or the contents of this document, or any matter referred to herein.

TABLE OF CONTENTS

	Page
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	3
RISK FACTORS	6
QUESTIONS AND ANSWERS ABOUT THE PROPOSAL	9
PART I LETTER FROM THE CHAIRMAN OF SIGNET	19
PART II EXPLANATORY STATEMENT	25
<i>1. Introduction</i>	25
<i>2. Summary of the terms of the Proposal</i>	25
<i>3. Structure of the Scheme</i>	26
<i>4. Shareholder Meetings</i>	28
<i>5. Share Capital Consolidation</i>	29
<i>6. The Signet Directors and the effect of the Scheme on their interests</i>	30
<i>7. The Panel and the Takeover Code</i>	30
<i>8. Listing, dealings, settlement and CREST and Depositary Interests</i>	31
<i>9. Dividends and dividend policy</i>	33
<i>10. Treatment of Signet ADSs</i>	34
<i>11. UK/US shareholder taxation</i>	35
<i>12. Non UK/US Signet Shareholders</i>	40
<i>13. Signet Share Plans</i>	42
<i>14. Adoption of new Signet Jewelers Limited Share Plans</i>	42
<i>15. Action to be taken</i>	47
<i>16. Further information</i>	47
PART III CHANGES IN THE RIGHTS OF SIGNET SHAREHOLDERS AND LEGAL CONSEQUENCES	48
PART IV CONDITIONS TO THE IMPLEMENTATION OF THE SCHEME	66
PART V SCHEME OF ARRANGEMENT	67
PART VI IMPORTANT INFORMATION FOR SHAREHOLDERS	73
PART VII ADDITIONAL INFORMATION	75
PART VIII DEFINITIONS	79
PART IX NOTICE OF COURT MEETING	84
PART X NOTICE OF GENERAL MEETING	86

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following indicative timetable sets out the expected dates for the implementation of the Proposal.

Event	Time and/or date
ADS Record Date	Close of business in New York on 17 July 2008
Latest time for lodging ADS Voting Instruction Cards	3.00 p.m. (New York time) ⁽¹⁾ on 13 August 2008
Latest time for lodging blue forms of proxy for the Court Meeting	11.30 a.m. on 17 August 2008 ⁽²⁾
Latest time for lodging white forms of proxy for the Scheme GM	11.45 a.m. on 17 August 2008 ⁽³⁾
Voting Record Time for the Court Meeting and the Scheme GM	6.00 p.m. on 17 August 2008 ⁽⁴⁾
Court Meeting	11.30 a.m. on 19 August 2008
Scheme GM	11.45 a.m. on 19 August 2008 ⁽⁵⁾

The following dates are subject to change (please see note (6) below)

First Court Hearing to sanction the Scheme	8 September 2008 ⁽⁶⁾
Reduction Record Time	6.00 p.m. on 9 September 2008 ⁽⁶⁾
Second Court Hearing to confirm the Capital Reduction	10 September 2008 ⁽⁶⁾
Scheme Record Time	5.00 p.m. on 10 September 2008 ⁽⁶⁾
Effective Date of the Scheme	11 September 2008 ⁽⁶⁾
Effective time for the Share Capital Consolidation	Immediately after the Scheme becomes effective on 11 September 2008 ⁽⁶⁾
Cancellation of listing of Signet Shares on the Official List and commencement of trading on the LSE in Signet Jewelers Limited Shares	8.00 a.m. on 11 September 2008 ⁽⁶⁾
Cancellation of quotation of Signet ADSs on the NYSE and commencement of trading on the NYSE in Signet Jewelers Limited Shares	2.30 p.m. (9.30 a.m. New York time) on 11 September 2008 ⁽⁶⁾
Crediting of Depository Interests to CREST accounts in respect of Scheme Shareholders who: (i) hold Signet Shares in uncertificated form at the Scheme Record Time; and (ii) currently hold Signet Shares in certificated form but who complete and execute a CREST Transfer Form and return it to their broker in good time in order to allow the shares to be dematerialised in accordance with Euroclear UK's procedures	On or about 11 September 2008 ⁽⁶⁾

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Despatch of share certificates in respect of Signet Jewelers Limited Shares to Scheme Shareholders who currently hold Signet Shares in certificated form and who do not complete and execute a CREST Transfer Form and return it to their broker in good time in order to allow the shares to be dematerialised in accordance with Euroclear UK's procedures

By 25 September 2008⁽⁶⁾

Notes:

- (1) References to time in this document are to London time, unless otherwise stated.
- (2) It is requested that forms of proxy for the Court Meeting be lodged at least 48 hours prior to the appointed time for the Court Meeting, although forms of proxy not so lodged may be handed to the chairman of the Court Meeting before the start of the Court Meeting.
- (3) Forms of proxy for the Scheme GM must be lodged at least 48 hours prior to the Scheme GM. Forms of proxy for the Scheme GM not lodged by this time will be invalid.
- (4) If either the Court Meeting or the Scheme GM is adjourned, the Voting Record Time for the adjourned Shareholder Meeting will be 6.00 p.m. on the date two days before the date set out for the adjourned Shareholder Meeting.
- (5) Or as soon thereafter as the Court Meeting shall have concluded or been adjourned.
- (6) These dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme and confirms the associated Capital Reduction as well as the date on which the Court Orders are delivered to the Registrar and the Reduction Court Order is registered by the Registrar.

ENCLOSURES

All Signet Shareholders will find enclosed with this document:

a BLUE form of proxy for use in connection with the Court Meeting; and

a WHITE form of proxy for use in connection with the Scheme GM.

All Signet ADS holders will find enclosed with this document:

an ADS Voting Instruction Card; and

a postage paid return envelope.

HELPLINES

Signet Shareholders who have any questions about this document, the Court Meeting or the Scheme GM, or are in any doubt as to how to complete the forms of proxy for the Shareholder Meetings, should call Signet's registrar, Capita Registrars on 0871 664 0440 or, if telephoning from outside the UK, on +44 20 8639 3443. Calls to the Capita Registrars' 0871 664 0440 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registrars' +44 20 8639 3443 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Deutsche Bank Trust Company Americas as ADS Depositary is providing a telephone helpline to answer questions which Signet ADS holders may have prior to deciding what action to take. The toll free number for callers dialling from within the US is (866) 249-2593 and for callers dialling from outside the US the toll collect number is +1 (718) 921-8137.

Helpline operators cannot provide financial, taxation or legal advice or advice on the merits of the Proposal.

Helplines are open Monday to Friday during normal business hours.

LEGAL NOTICES

Nothing contained in this document shall constitute an offer to sell, or a solicitation of any offer to purchase or subscribe for, any shares in Signet or Signet Jewelers Limited, nor shall it form the basis of, or be relied upon in connection with, any contract for such purchase or subscription.

The issuance of Signet Jewelers Limited Shares pursuant to the Scheme will not be registered under the Securities Act and will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof. In reliance on the pre-emption attached to NYSE listing, the issuance of Signet Jewelers Limited Shares will not be registered under the securities laws of any state or jurisdiction of the United States.

FORWARD-LOOKING STATEMENTS

All statements in this document, other than statements of historical fact, are or may be deemed to be forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements, based upon management's beliefs as well as on assumptions made by and data currently available to management, appear in a number of places throughout this document and include statements regarding, among other things, our results of operation, financial condition, liquidity, prospects, growth, strategies and the industry in which the Signet Group operates. The use of the words expects, intends, anticipates, estimates, may, forecast, objective, plan, or similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties.

Important factors that could cause actual results to differ materially from those discussed in such forward-looking statements include: (1) adverse trends in the general economy which may impact negatively on discretionary consumer spending, including unemployment levels, consumers' disposable income, consumer confidence, business conditions, interest rates, consumer debt levels, availability of credit and levels of taxation; (2) the ability to recruit, train and retain staff, including senior management; (3) short term variations in consumers' preferences for jewellery compared to other product categories, the Signet Group's ability to anticipate consumer preferences and the merchandising, inventory and pricing policies it follows, particularly if there are any significant changes such as those implemented by the US division in early 2008/09; (4) the reputation of the Signet Group and its trading names, together with the success of the Signet Group's marketing and promotional programmes; (5) long term changes in consumer attitudes to diamonds, gold and other precious metals and gemstones; (6) changes to the locations in which consumers choose to shop, the extent and results of the Signet Group's net store expansion and refurbishment strategy together with the availability of suitable real estate; (7) the level of competition in the selling of jewellery and the development of new distribution channels in competition with the Signet Group; (8) the level of dependence on particular suppliers of merchandise; (9) fluctuations in the supply, price and availability of diamonds, gold and other precious metals and gemstones, particularly if such movements are extreme and volatile as has been the recent case with precious metals; (10) the seasonality of the Signet Group's business, the risk of disruption during the Christmas trading period, and the availability of inventory during the three months leading up to the Christmas trading period; (11) social, ethical and environmental risks; (12) the suitability and reliability of the Signet Group's internal control systems and procedures, including its accounting and information technology systems necessary for compliance with the Sarbanes-Oxley Act of 2002, as well as operational systems such as warehousing, distribution and e-commerce; (13) regulatory requirements, particularly with regard to the in-house credit operation in the US; (14) legal actions; (15) revisions to, and new interpretations of, GAAP, the accounting policies adopted by, and the tax assumptions made by the Signet Group; (16) listing and domicile; (17) acquisitions; (18) pensions regulations, actuarial assumptions including longevity, pension valuation and investment returns; (19) the cost and availability of borrowings and equity capital which have changed markedly during the last 12 months; (20) financial market risks, including fluctuations in exchange rates between the pound sterling and the US dollar which may affect reported revenues, costs, the value of the Signet Group's consolidated borrowings, and the cost of capital; and (21) the loss of one or more key executive officers or employees.

All forward-looking statements should be read, in particular, in the context of the risk and other factors described in this section. Signet Shareholders and Signet ADS holders are cautioned not to place undue weight on these forward-looking statements. Actual results may differ

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materially from those anticipated in such forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein may not be realised. The Signet Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law. More detailed information about these and other risk factors is set forth in the section headed "Risk factors" set out on pages 6 to 8 of this document and in filings and submissions made by Signet with the SEC including but not limited to Signet's annual report and accounts for the year ended 2 February 2008 which is available from Signet's website at www.signetgroupplc.com or can be viewed at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS from the date of this document until the Effective Date.

RISK FACTORS

The following risks and uncertainties relating to the Proposal should be carefully considered in addition to the other information set out in this document. There may be additional risks and uncertainties relating to the Proposal not presently known to the Directors or that the Directors currently deem immaterial which may have a material adverse effect on the Signet Group.

Implementation of the Proposal

There can be no certainty that the Scheme will be approved by Signet Shareholders or sanctioned by the Court, or that the Proposal will otherwise be completed.

Market price of Signet Jewelers Limited Shares

The Signet Jewelers Limited Shares are intended to be listed on the NYSE and on the Official List and the market price may be different between them for various reasons, including the characteristics of the markets in which they trade, such as trading volumes and currencies. Signet Jewelers Limited's share price may be significantly affected by short-term changes in its financial condition or results of operations as reflected in its quarterly earnings reports.

Other factors unrelated to the Signet Group's performance that may have an effect on the price of the Signet Jewelers Limited Shares include: the extent of analytical coverage available to investors concerning the Signet Group's business that may be limited if investment banks with research capabilities do not continue to follow Signet Jewelers Limited's securities; and any lessening in trading volume and general market interest in Signet Jewelers Limited's securities that may affect an investor's ability to trade significant numbers of Signet Jewelers Limited Shares. As a result of these factors, the market price of the Signet Jewelers Limited Shares at any given point in time may not accurately reflect Signet Jewelers Limited's long-term value.

The Signet Shares are currently included in the FTSE 250 list. If, as intended, the Signet Jewelers Limited Shares have a primary listing on the NYSE, they will not be eligible for inclusion in the FTSE 250 list. This may have an effect on the market price of the Signet Jewelers Limited Shares.

As inclusion in the S&P US indices is at the discretion of the S&P Index Committee, there can be no guarantee that despite the listing of the Signet Jewelers Limited Shares on the NYSE, Signet Jewelers Limited will be included in any S&P US indices.

Future sales of Signet Jewelers Limited Shares by existing shareholders

Sales of a large number of Signet Jewelers Limited Shares in the public markets, or the potential for such sales, could decrease the trading price of the Signet Jewelers Limited Shares and could impair Signet Jewelers Limited's ability to raise capital through future issues of Signet Jewelers Limited Shares. For example, due to the change in primary listing and domicile, certain shareholders may no longer be able to hold shares in Signet Jewelers Limited due to their investment mandates.

Dilution of Signet Jewelers Limited Shares

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As there are no pre-emption rights for shareholders under the Signet Jewelers Limited Bye-laws or the laws of Bermuda (see under the heading Pre-emptive Rights in Part III of this document for further details), an increase in the number of common shares in the capital of Signet Jewelers Limited in the market through further issues by Signet Jewelers Limited could result in the voting power of Signet Jewelers Limited's existing shareholders being diluted.

Rights as a Depositary Interest holder

Depositary Interest holders do not have the rights which Bermuda law and the Signet Jewelers Limited Bye-laws confer on legal holders of Signet Jewelers Limited Shares, such as voting rights. In respect of the Signet Jewelers Limited Shares underlying the Depositary Interests those rights vest in the DI Depositary Nominee as the legal holder of the relevant Signet Jewelers Limited Shares who will hold those shares as nominee for the DI Depositary which in turn will hold its interest in the Signet Jewelers Limited Shares on bare trust for the relevant holders. Consequently, if the Depositary Interest holders want to exercise any of those rights they must rely on the DI Depositary Nominee and the DI Depositary to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit. Pursuant to the deed poll pursuant to which the Depositary Interests are created, the DI

Depository Nominee and the DI Depository must pass on to and, so far as they are reasonably able, exercise on behalf of the relevant Depository Interest holders all rights and entitlements which they receive or are entitled to in respect of the underlying Signet Jewelers Limited Shares and which are capable of being passed on or exercised. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on or exercised.

Limitations on the transferability of the Signet Jewelers Limited Shares

Under a general policy of the Bermuda Monetary Authority, the Signet Jewelers Limited Shares may be freely transferred under the Exchange Control Act 1972 of Bermuda and the related regulations following the proposed listing of the Signet Jewelers Limited Shares on the NYSE and the Official List (by way of secondary listing) taking effect and if the Bermuda Monetary Authority subsequently withdraws its consent to the free transferability of the Signet Jewelers Limited Shares, then the admission and trading of those Signet Jewelers Limited Shares on both the NYSE and the Official List and the LSE's main market for listed securities may be suspended. Such suspension would remain in force until the Bermuda Monetary Authority reinstated its consent to the free transferability of the Signet Jewelers Limited Shares.

No Takeover Code protection

As Signet Jewelers Limited is incorporated in Bermuda, the Takeover Code will not apply to it and investors will not be able to benefit from its provisions. Further details of the protections afforded by the Takeover Code are set out under the heading "Takeovers of Public Companies" in Part III of this document on page 61.

Changes in tax treatment

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by Signet Jewelers Limited or by its shareholders in respect of its shares. It cannot be certain that Signet Jewelers Limited will not be subject to any Bermuda tax in the future. For further details please see paragraph 11.1 of Part II of this document on page 36.

The Organisation for Economic Cooperation and Development (the "OECD") has published reports and launched a global dialogue among member and non-member countries on measures to limit harmful tax competition. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. In the OECD's report dated 18 April 2002, updated as of June 2004 and September 2006, Bermuda was not listed as a tax haven jurisdiction because it had previously signed a letter committing itself to eliminate harmful tax practices and to embrace international tax standards for transparency, exchange of information and the elimination of any aspects of the regimes for financial and other services that attract business with no substantial domestic activity. The Directors are not able to predict what changes could arise from this commitment or whether such changes could subject Signet Jewelers Limited to additional taxes.

Secondary listing

The proposed secondary listing of Signet Jewelers Limited Shares on the Official List is subject to the UK Listing Authority approving the related prospectus and application (and accordingly, in the event that such approval is not forthcoming, the secondary listing of Signet Jewelers Limited Shares on the Official List may not take effect as intended). The Scheme is not conditional on an application to list the Signet Jewelers Limited Shares on the Official List (by way of secondary listing) having been made.

Consequences of a secondary listing

It is intended that an application will be made for the Signet Jewelers Limited Shares to be listed on the Official List (by way of secondary listing) pursuant to Chapter 14 of the Listing Rules. As a company with a secondary listing on the Official List, Signet Jewelers Limited is not required, and does not intend, to comply with the full provisions of the Listing Rules as set out more fully in [What is a secondary listing?](#) at question 29 of the [Questions and Answers about the Proposal](#) section of this document on page 17. It should be noted that, if the Signet Jewelers Limited Shares are listed on the NYSE as intended, obligations arising from applicable securities and corporate legislation in the United States, as well as applicable rules of the NYSE, will apply to Signet Jewelers Limited.

Proceedings against Signet Jewelers Limited

The board of directors of Signet Jewelers Limited comprises, and is likely to continue to comprise, a greater proportion of non-UK resident directors than the current Board. As a result, should the Proposal be effected it may be more difficult for investors to effect service of process on the Signet Jewelers Limited directors in the UK or to enforce in the UK judgments obtained in UK courts against Signet Jewelers Limited or those directors.

It is doubtful whether courts in Bermuda will enforce judgments obtained by investors in other jurisdictions, including the US and the UK, against Signet Jewelers Limited or its directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against Signet Jewelers Limited or its directors or officers under the securities laws of other jurisdictions.

More extensive US regulation of Signet Jewelers Limited

As of the date of this document, Signet qualifies as a foreign private issuer under the SEC's rules. On 10 January 2008, Signet announced that the proportion of its voting securities held by US residents in mid-December 2007 was just below 50 per cent. If this percentage were to rise above 50 per cent the parent company of the Signet Group would no longer satisfy the definition of a foreign private issuer under the rules and regulations of the SEC and, on a measuring date specified by the SEC's rules, it and its insiders would become subject to additional US reporting, disclosure and corporate governance requirements. This could arise if the Proposal is not effected but could be more likely after the primary listing of the parent company of the Signet Group is moved from the Official List to the NYSE.

Future business and operations of the Signet Group

The future business and operations of the Signet Group may be affected by risks and uncertainties which are unconnected with the Proposal. A summary of certain of those risks and uncertainties is included under the heading *Forward-looking statements* on page 5 of this document. More detailed information about these risks and uncertainties is set forth in filings and submissions made by Signet with the SEC, including, but not limited to, the Company's annual report and accounts for the year ended 2 February 2008 which is available from Signet's website at www.signetgroupplc.com, or can be viewed at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS from the date of this document until the Effective Date.

QUESTIONS AND ANSWERS ABOUT THE PROPOSAL

The following section is designed to assist your understanding of the Proposal. However, sole reliance should not be placed upon it for a full and proper understanding of the Proposal and you are advised to read the whole of this document.

Holders of Signet ADSs should also read paragraph 10 of Part II of this document (on pages 34 and 35), which contains more particular information about the Proposal as it affects holders of Signet ADSs.

1 What is the Proposal?

The Proposal is to:

- 1.1 move the primary listing of the parent company of the Signet Group from the Official List to the NYSE;
- 1.2 reorganise the Signet Group pursuant to a Court approved scheme of arrangement so that Signet becomes a wholly-owned subsidiary of Signet Jewelers Limited, a new company incorporated in Bermuda under the Bermuda Companies Act, and the current holders of Signet Shares and Signet ADSs become shareholders of Signet Jewelers Limited;
- 1.3 implement a one-for-twenty share capital consolidation (also known as a reverse stock split) in respect of the Signet Jewelers Limited Shares after the Scheme becomes effective; and
- 1.4 apply for a secondary listing of Signet Jewelers Limited Shares on the Official List.

The Proposal is described in further detail in paragraph 2 of Part II of this document.

2 What is the Scheme?

Signet is proposing to reorganise the Signet Group pursuant to a Court approved scheme of arrangement under Part 26 of the Companies Act so that Signet becomes a wholly and directly owned subsidiary of Signet Jewelers Limited and the existing Signet Shareholders become shareholders of Signet Jewelers Limited. Immediately following the Scheme becoming effective, former Signet Shareholders will hold 100 per cent of the Signet Jewelers Limited Shares in issue. The Scheme will be implemented by cancelling and extinguishing all of the Scheme Shares on the Effective Date, capitalising the reserve created by the cancellation and issuing New Signet Shares to Signet Jewelers Limited. In return for Signet Jewelers Limited's receipt of New Signet Shares, Scheme Shareholders (including the ADS Depositary) will receive one Signet Jewelers Limited Share for each Signet Share previously held by them at the Scheme Record Time.

3 What is the Share Capital Consolidation?

As part of the Proposal, Signet Jewelers Limited intends to implement a share capital consolidation (also known as a reverse stock split) on a one-for-twenty basis, in respect of the Signet Jewelers Limited Shares issued under the Scheme. It is intended that the Share Capital

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Consolidation will be implemented immediately after the Scheme becomes effective. The combined effect of the Scheme and the Share Capital Consolidation (if effected in accordance with their respective terms) will be that Signet Shareholders (including the ADS Depositary) will receive one Signet Jewelers Limited Share for every twenty Signet Shares they hold at the Scheme Record Time (being 5.00 p.m. on the business day immediately prior to the date of the Effective Date). Following the Scheme becoming effective and the Share Capital Consolidation being implemented, Signet ADS holders will receive one Signet Jewelers Limited Share for every two Signet ADSs.

Subject to fractional interests, discussed in question 9 below, Signet Shareholders and holders of Signet ADSs will own the same relative proportion of Signet Jewelers Limited immediately following the Share Capital Consolidation as they did of Signet immediately prior to the Scheme becoming effective.

4 When will this all happen?

The Scheme will require the approval of Signet Shareholders at the Court Meeting and the Scheme GM, and the sanction of the Court. Both Shareholder Meetings are expected to be held on 19 August 2008 and the First Court Hearing is expected to be held on 8 September 2008. Notices of the Court Meeting and the Scheme GM are set out on pages 84 to 91 of this document.

Voting Record Time

Entitlement to attend and vote at the Shareholder Meetings and the number of votes which may be cast thereat will be determined by reference to the register of members of Signet at the Voting Record Time,

being 6.00 p.m. on 17 August 2008, which is two days before the expected date of the Shareholder Meetings (or, in the event that the Shareholder Meetings are adjourned, by reference to the register of members of Signet at 6.00 p.m. on the day that is two days before the adjourned Shareholder Meetings).

Court Meeting

The Court Meeting has been convened for 11.30 a.m. on 19 August 2008 in accordance with the direction of the Court to enable Signet Shareholders to consider and, if thought fit, approve the Scheme.

Scheme general meeting

The Scheme GM has been convened for 11.45 a.m. on 19 August 2008 (or as soon thereafter as the Court Meeting shall have concluded or been adjourned) to enable Signet Shareholders to consider and, if thought fit, pass certain resolutions relating to the Proposal (including a special resolution which requires a vote of not less than 75 per cent of the votes cast).

Scheme Record Time

Entitlement to Signet Jewelers Limited Shares under the terms of the Scheme will be determined by reference to Signet's register of members as at the Scheme Record Time.

Scheme Effective Date

The Scheme will become effective as soon as copies of the Court Orders are delivered to the Registrar for registration and, in the case of the Reduction Court Order, are registered by the Registrar. Subject to the necessary Court and Signet Shareholder approvals being obtained, this is expected to occur, and the Scheme is expected to become effective, on 11 September 2008.

Share Capital Consolidation

As part of the Proposal, Signet Jewelers Limited intends to implement, immediately after the Scheme becomes effective, the Share Capital Consolidation on a one-for-twenty basis in respect of the Signet Jewelers Limited Shares issued under the Scheme. The effect of this will be that Scheme Shareholders will ultimately receive one Signet Jewelers Limited Share for every twenty Signet Shares held at the Scheme Record Time and that Signet ADS holders will ultimately receive one Signet Jewelers Limited Share for every two Signet ADSs.

Listing

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As part of the Proposal, Signet intends to apply to list the Signet Jewelers Limited Shares to be issued under the Scheme on the NYSE and the Official List (by way of a secondary listing). Such listings are expected to become effective and trading in Signet Jewelers Limited Shares on the NYSE and the London Stock Exchange's main market for listed securities is expected to commence at 2.30 p.m. (9.30 a.m. New York time) and 8.00 a.m. respectively on 11 September 2008, the day on which the Scheme of Arrangement is expected to become effective.

The cancellation of the existing listing of Signet Shares on the Official List and their admission to trading on the London Stock Exchange's main market for listed securities and the cancellation of the existing listing of the Signet ADSs on the NYSE are expected to take effect from 8.00 a.m. and 2.30 p.m. (9.30 a.m. New York time) respectively on 11 September 2008, with the Signet Jewelers Limited Shares underlying the Signet ADSs that were held in certificated form being distributed to the holders of those Signet ADSs upon surrender of their Signet ADSs.

The expected timetable of principal events to give effect to the Proposal is set out on page 3 of this document.

5 Why are you doing this?

The Board believes that the proposal to move to a US primary listing on the NYSE is in the best interests of Signet Shareholders. This is the natural next step in the evolution of the Company's shareholder base which has seen a steady growth in US ownership since 2003, including a significant increase over the last 12 months with almost 50 per cent of Signet's voting securities now being beneficially owned by US residents. The Proposal will align the place of listing with the business activities of the Signet Group, which are predominantly based in the US, and where the Board expects the majority of the Signet Group's future growth to take place. Currently over 70 per cent of the Signet Group's sales, operating profit and net assets is in the US. The Board considers there to be a potentially larger pool of investors in the US than in the UK.

who are more familiar with the Signet Group's business model, have a better understanding of the underlying economic environment in the US and a lower exposure to foreign exchange movements impacting the value of their investment. In addition, the Board expects that the parent company of the Signet Group would benefit from its primary listing being amongst a more appropriate public company peer group.

Signet remains fully committed to enhancing its strong presence in the UK speciality jewellery market. As part of this ongoing investment, Signet Jewelers Limited intends to continue to encourage UK share ownership and investment with a secondary listing on the Official List, which it intends to establish concurrently with the commencement of trading of Signet Jewelers Limited Shares on the NYSE on 11 September 2008, subject to the Scheme of Arrangement becoming effective and the UK Listing Authority approving the related prospectus and application.

To be eligible for inclusion in US domestic stock indices the parent company of the Signet Group could not remain domiciled in England and Wales. It was therefore decided to move the parent company of the Signet Group's domicile to Bermuda as it is a well established jurisdiction for companies traded on US stock exchanges and included in US domestic stock indices such as Standard & Poor's. In addition, a change of domicile of the parent company of the Signet Group to Bermuda will minimise the impact on shareholders by allowing it to have legal, regulatory, capital and financial positions largely consistent with those of Signet today. Furthermore, a change of domicile of the parent company of the Signet Group to the US could have caused adverse US tax consequences – these adverse US tax consequences do not arise where the parent company of the Signet Group's domicile is changed to Bermuda.

6 What will be the effect of the Proposal on Signet Shares?

If fully implemented, the Proposal will result in all the Signet Shares being replaced by Signet Jewelers Limited Shares, on the following basis:

one Signet Jewelers Limited Share for every twenty Signet Shares held at the Scheme Record Time.

You will not have to pay anything for the Signet Jewelers Limited Shares.

7 What are Signet ADSs?

Signet Shares are listed on the NYSE in the form of Signet American Depositary Shares to facilitate ownership by US investors. Each Signet ADS currently represents the right to receive ten Signet Shares.

8 What will be the effect of the Proposal on Signet ADSs?

If fully implemented, the Proposal will result in all Signet ADSs being replaced by Signet Jewelers Limited Shares on the following basis:

one Signet Jewelers Limited Share for every two Signet ADSs.

You will not have to pay anything for the Signet Jewelers Limited Shares.

9 Will I receive fractional interests in Signet Jewelers Limited Shares in connection with the Share Capital Consolidation?

You will not receive a fractional interest in Signet Jewelers Limited Shares in connection with the Share Capital Consolidation. To the extent that you would otherwise be entitled to a fractional interest in Signet Jewelers Limited Shares, such fractional interest will be aggregated with other fractional interests and sold in the market and a pro-rata proportion of the cash raised from such sale will be despatched to you. You will receive any such cash in respect of entitlements to fractional interests in pounds sterling.

10 Why is Court approval needed?

The Scheme, if approved, will be binding on all Scheme Shareholders, including any Scheme Shareholders who did not vote to approve the Scheme or who voted against the Scheme, when it becomes effective, thereby providing certainty and equality of treatment for Scheme Shareholders. The implementation of the Scheme must satisfy certain legal requirements for the protection of Signet Shareholders and creditors and therefore requires the approval of the Court.

11 What are Scheme Shares ?

Scheme Shares are Signet Shares that are: (1) currently in issue or are issued before the Voting Record Time; or (2) issued after the Voting Record Time but before the Reduction Record Time either on terms that the original or any subsequent holders of such shares are to be bound by the Scheme, or in respect of which their holders are, or have agreed in writing to be, bound by the Scheme. Accordingly, any ordinary shares in Signet which you hold at the date of this document will be Scheme Shares. Only Scheme Shares will be cancelled pursuant to the Scheme.

12 What will actually happen to my Scheme Shares?

If the Proposal is fully implemented it will result in Signet Shareholders receiving one Signet Jewelers Limited Share for every twenty Signet Shares held at the Scheme Record Time and Signet ADS holders receiving one Signet Jewelers Limited Share for every two Signet ADSs.

The key steps are as follows:

all Scheme Shares will be cancelled;

Signet will issue New Signet Shares to the new holding company, Signet Jewelers Limited;

Signet Jewelers Limited will issue to the Scheme Shareholders one Signet Jewelers Limited Share for each Scheme Share held by them at the Scheme Record Time;

every twenty Signet Jewelers Limited Shares issued under the Scheme will be replaced with one Signet Jewelers Limited Share as a result of the Share Capital Consolidation; and

Signet ADS holders will receive one Signet Jewelers Limited Share for every two Signet ADSs.

13 When and how will I receive my new shares?

(i) Holders of certificated Scheme Shares

Scheme Shareholders who hold their Scheme Shares in certificated form at the Scheme Record Time and wish to hold their Signet Jewelers Limited Shares in certificated form need take no action (other than voting at the Court Meeting and the Scheme GM). Definitive share certificates in respect of the Signet Jewelers Limited Shares are expected to be despatched within 10 business days after the Effective Date. In the case of joint Scheme Shareholders holding their Scheme Shares in certificated form, certificates will be despatched to the person whose name appears first in Signet's register of members. Pending receipt of certificates, transfers will be certified against Signet Jewelers Limited's register of members. As from the Effective Date, existing certificates representing holdings in certificated form of Signet Shares will cease to be valid for any purpose and Signet Shareholders who hold their Signet Shares in certificated form should, if so requested by Signet Jewelers Limited, send such certificates to Signet Jewelers Limited for cancellation.

Scheme Shareholders who hold their Signet Shares in certificated form and wish to hold their Signet Jewelers Limited Shares in uncertificated form will need to contact their broker to obtain a CREST Transfer Form. This should be completed and executed by such shareholders and returned to their broker as soon as possible and in any event in good time in order to allow the shares to be dematerialised in accordance with Euroclear UK's procedures. In any case, dematerialisation must be completed before the Scheme Record Time.

Scheme Shareholders who hold their Signet Shares in certificated form and wish to hold their Signet Jewelers Limited Shares in uncertificated form, but do not have a broker, will need to contact a bank or broker or other nominated CREST member or will need to become CREST members themselves.

(ii) Holders of uncertificated Scheme Shares

Signet Jewelers Limited Shares (being issued by a non-UK company) will not themselves be admitted to CREST and hence will not be able to be held and traded directly in uncertificated form. However, any Scheme Shareholders who currently hold their Scheme Shares in uncertificated form and who wish to hold and transfer interests in their Signet Jewelers Limited Shares within CREST will be able to do so pursuant to the Depositary Interest arrangements to be established by Signet Jewelers Limited. For further details of these arrangements, please see paragraph 8.4 of Part II of this document. The Depositary Interests will be created and issued pursuant to a deed poll executed by the DI Depositary under English law. These Depositary Interests may be held and transferred within the CREST system. In relation to such Depositary Interests, although Signet Jewelers Limited's register of members will show the DI Depositary Nominee as the legal holder of the relevant Signet Jewelers Limited Shares, the beneficial interest in such shares will remain with the holder of the Depositary Interests representing the underlying shares, who will receive all the rights attaching to the Signet Jewelers Limited Shares as that holder would have, if such holder of Depositary Interests had been on the Signet Jewelers Limited register of members himself. If you hold your Signet Shares in uncertificated form as at the Scheme Record Time, your CREST account will automatically be credited with equivalent Depositary Interests on or about the Effective Date. If you wish to withdraw your underlying Signet Jewelers Limited Shares from the Depositary Interests arrangements, see paragraph 8.4 of Part II of this document.

(iii) Holders of Signet ADSs

On the Effective Date (which is expected to be 11 September 2008), the Signet ADSs will represent the right to receive the appropriate number of Signet Jewelers Limited Shares on the basis of one Signet Jewelers Limited Share for every two Signet ADSs.

Upon surrender of certificated Signet ADSs, the Exchange Agent will transfer to the former Signet ADS holder one Signet Jewelers Limited Share for every two Signet ADSs cancelled. In respect of holders of Signet ADSs who hold certificates representing Signet ADSs, as soon as reasonably practicable and in any event within ten business days after the Effective Date, the Exchange Agent will mail to each such holder a letter of transmittal which such Signet ADS holder must properly complete and deliver to the Exchange Agent along with the relevant holder's certificate representing the Signet ADSs and instructions for effecting surrender of the Signet ADSs.

In respect of holders of Signet ADSs who hold Signet ADSs in book entry form, the Signet Jewelers Limited Shares will be credited to them in book entry form either: (i) under the direct registration system in the United States; or (ii) credited to their DTC account held by their broker or custodian.

14 Do I need to vote?

Your vote is important. In particular, the Court needs to be satisfied that there is a fair representation of the opinion of Signet Shareholders at the Court Meeting.

Signet Shareholders are therefore urged to complete, sign and return BOTH of the enclosed forms of proxy as soon as possible. This will not preclude Signet Shareholders from attending the Shareholder Meetings in person. The BLUE form of proxy is for the Court Meeting and the WHITE form of proxy is for the Scheme GM.

Signet ADS holders are also urged to complete, sign and return their ADS Voting Instruction Cards before 3.00 p.m. (New York time) on 13 August 2008.

15 Who is entitled to vote?

Only Signet Shareholders entered in the register of members of Signet at the Voting Record Time will be entitled to attend and vote at the Shareholder Meetings.

If you are not the registered holder of your Signet Shares, the registered holder may be entitled to vote your Signet Shares if you provide that holder with instructions on how to vote. If your broker is the registered holder of your Signet Shares, you should instruct your broker to vote your Signet Shares following the directions provided to you by your broker.

If your broker has not received instructions from you and does not vote your Signet Shares, your shares will not be counted towards the number of shares considered present at the Shareholder Meetings and will not have an effect on the outcome of the vote.

Signet ADS holders should refer to questions 19 and 20 below and to paragraph 10 of Part II of this document for details of how they can have the votes attaching to the underlying Signet Shares which their Signet ADSs represent cast or vote in person at the Shareholder Meetings.

16 Why are there two Shareholder Meetings?

There are two Shareholder Meetings, being the Court Meeting and a subsequent Scheme GM, which are being called for different purposes and which will be held on the same day. The Court Meeting is a statutory requirement of the Scheme and is convened by the Court solely to approve the Scheme itself. The Scheme GM is a general meeting of the Company convened by the Company in order to pass certain resolutions including a special resolution which is necessary to implement the Proposal (including the Scheme). Before the Court's approval can be sought to sanction the Scheme, the Scheme will require approval by Scheme Shareholders at the Court Meeting and the passing of the proposed special resolution by Signet Shareholders at the Scheme GM.

The Shareholder Meetings are to be held at Café Royal, 68 Regent Street, London W1B 5EL from 11.30 a.m. on 19 August 2008. The formal notices in respect of the Shareholder Meetings are set out on pages 84 to 91 of this document. Signet Shareholders who are unable or would prefer not to attend the Shareholder Meetings are encouraged to vote by completing and returning the enclosed forms of proxy in accordance with the instructions printed thereon.

17 How do I vote if my Signet Shares are registered in my name?

If you are a Signet Shareholder, forms of proxy for your use in connection with the Shareholder Meetings are enclosed with this document. Whether or not you propose to attend the Shareholder Meetings, you should complete and sign the attached forms of proxy in accordance with the instructions on them. Completed forms of proxy should be returned to Signet's registrar, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Signet Shareholders are requested to lodge BLUE forms of proxy, for use in connection with the Court Meeting, at least 48 hours before the time appointed for the Court Meeting (on the basis of the expected timetable, this will be by no later than 11.30 a.m. on 17 August 2008). BLUE forms of proxy not lodged (i.e. received by Capita Registrars) by such time may be handed to the chairman of the Court Meeting immediately prior to the start of the Court Meeting.

WHITE forms of proxy, for use in connection with the Scheme GM, must be lodged (i.e. received by Capita Registrars) at least 48 hours before the time appointed for the Scheme GM (on the basis of the expected timetable, this will be by no later than 11.45 a.m. on 17 August 2008). WHITE forms of proxy not lodged by such time will be invalid.

18 If my broker is the registered holder of my Signet Shares, will my broker vote my shares for me?

If you are not the registered holder of your Signet Shares, the registered holder may be entitled to vote your Signet Shares if you provide that holder with instructions on how to vote. You should instruct your broker to vote your Signet Shares, following the directions provided to you by your broker.

If your broker has not received instructions from you and does not vote your Signet Shares, your shares will not be counted towards the number of shares considered present at the Shareholder Meetings and will not have an effect on the outcome of the vote.

19 How do I vote if my Signet ADSs are registered in my name?

If you are a Signet ADS holder (and were on the ADS Record Date), you should use your ADS Voting Instruction Card to direct the manner in which the ADS Depositary should vote your underlying Signet Shares at the Shareholder Meetings. Completed ADS Voting Instruction Cards should be returned to Deutsche Bank Trust Company Americas, as ADS Depositary, in the return envelope provided as soon as possible and in any event so as to be received not later than 3.00 p.m. (New York time) on 13 August 2008. You may vote in person at the Court Meeting and/or the Scheme GM if you become the registered holder of the Signet Shares underlying your Signet ADSs by arranging for the surrender of your Signet ADSs in accordance with the terms and conditions of the Deposit Agreement, as discussed in paragraph 10 of Part II of this document.

20 If my broker is the record holder of my Signet ADSs will my broker vote the underlying shares for me?

If you hold Signet ADSs through a bank, broker or financial institution in the United States, you must rely on the procedures of the bank, broker or financial institution through which you hold your Signet ADSs.

21 What should I do with my Signet Share or Signet ADS certificate?

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On the Effective Date (which is expected to be 11 September 2008), Signet Share certificates will cease to be valid and Signet Shareholders who hold their Signet Shares in certificated form should, if requested to do so by Signet Jewelers Limited, send such certificates to Signet Jewelers Limited for cancellation.

In addition, on the Effective Date, the Signet ADSs will represent the right to receive the appropriate number of Signet Jewelers Limited Shares on the basis of one Signet Jewelers Limited Share for every two Signet ADSs. Upon surrender of certificated Signet ADSs, the Exchange Agent will transfer to the former Signet ADS holder one Signet Jewelers Limited Share for every two Signet ADSs surrendered.

22 What if I am resident outside of the United Kingdom or the United States?

If you are resident outside the United Kingdom or the United States, or a national or citizen of jurisdictions outside the United Kingdom or the United States, you should read paragraph 12 of Part II of this document.

23 Are there any taxation consequences of the Proposal?

(a) Disposal of Signet Shares

Any UK resident or ordinarily resident Signet Shareholder will be treated as not having made a disposal of their Signet Shares for the purposes of UK taxation of chargeable gains as a result of the Scheme being implemented. Non-UK resident Signet Shareholders will generally not be subject to UK taxation of chargeable gains in respect of their holdings of Signet Shares or Signet ADSs.

US holders of Signet Shares and/or Signet ADSs who will own five per cent or more of the Signet Jewelers Limited Shares immediately after the Scheme becomes effective, are subject to special US federal income tax rules under which they would generally be required to enter into a gain recognition agreement with the IRS to avoid current taxation upon receipt of Signet Jewelers Limited Shares under the Scheme and may be required to recognise taxable gain for US federal income tax purposes in respect of the Scheme in certain circumstances.

Other US holders of Signet Shares and/or Signet ADSs generally should not recognise any taxable gain or loss for US federal income tax purposes upon receipt of Signet Jewelers Limited Shares under the Proposal.

(b) Dividend treatment

UK resident individual shareholders are currently entitled to a non-payable tax credit on dividends that they receive from Signet. Such shareholders will also generally be entitled to a non-payable tax credit on dividends that they receive from Signet Jewelers Limited with effect from the current tax year (2008/2009). UK resident corporate shareholders (and shareholders who are taxed in the same manner as a UK corporate taxpayer) are in general currently exempt from tax on dividends that they receive from Signet. Such shareholders will generally be taxed on dividends that they receive from Signet Jewelers Limited. However, Signet understands that the UK government is currently considering the tax treatment of portfolio dividends received by UK tax resident companies with a view to achieving parity of treatment between UK and foreign portfolio dividends.

Distributions made with respect to Signet Jewelers Limited Shares will generally be includable in the income of a US holder as ordinary dividend income, to the extent paid out of current or accumulated earnings and profits of Signet Jewelers Limited as determined in accordance with US federal income tax principles. Subject to applicable limitations, including a requirement that the Signet Jewelers Limited Shares be listed for trading on the NYSE, the NASDAQ Stock Market, or another qualifying US exchange, dividends with respect to Signet Jewelers Limited Shares so listed that are paid to non-corporate US holders in taxable years beginning before 1 January 2011 will generally be taxable at a maximum tax rate of 15 per cent.

Please refer to paragraph 11 of Part II of this document for a more detailed description of the tax consequences for UK and US resident Signet Shareholders and Signet ADS holders. For all other jurisdictions, or if you are in any doubt about your taxation position, you should consult your professional adviser.

24 What if I participate in the Signet Share Plans?

Briefly, participants will have the opportunity to agree the replacement of existing options and awards over Signet Shares with options of equivalent value over Signet Jewelers Limited Shares. Options granted before 2003 will be capable of exercise but in view of the current share price it is expected most participants will take advantage of the opportunity to apply for the replacement options. You should read paragraphs 13

and 14 of Part II of this document for further information in relation to the Signet Share Plans and the new share plans to be established.

The Directors have the power to adjust options under the Signet Share Plans as a result of the Share Capital Consolidation and will exercise this power if they consider it appropriate to do so.

25 What if I hold my shares in an ISA?

If you hold your Signet Shares in an ISA on such terms that you obtain ISA-related tax reliefs, then you should (subject to the Signet Jewelers Limited Shares being listed on the Official List or the NYSE and to the terms and conditions of your ISA, in particular having regard to any restrictions on holding shares issued by non-UK companies) be able to hold the Signet Jewelers Limited Shares in an ISA, provided they are held on the same basis as those Signet Shares you currently hold in your ISA.

If you hold your Signet Shares in an ISA you should contact your plan manager who will be able to advise you of their procedure for voting at the Court Meeting and at the Scheme GM.

Please refer to paragraph 11 of Part II of this document for a more detailed description of the tax consequences of the Scheme in respect of any Signet Shares held in an ISA.

26 What will Signet Jewelers Limited's dividend policy be?

Following implementation of the Proposal, Signet Jewelers Limited intends to adopt a dividend policy that will continue to take into account the needs of the business including its store development programme, the significant competitive advantages of a strong balance sheet, as well as the wider economic environment. The board of Signet Jewelers Limited will also take account of the payout ratio of US listed speciality retailers, which are typically lower than in the UK. The board of Signet Jewelers Limited may also consider the repurchase of shares from time to time.

Signet currently intends to declare an interim dividend of 0.96 cents per share when it announces its 6 months results to 31 July 2008 on 3 September 2008. It is intended that this interim dividend distribution by Signet will be passed on to shareholders by Signet Jewelers Limited in November 2008. A final dividend will be considered by Signet Jewelers Limited at the time of the full year results for 2008/09 in March 2009. In subsequent years the board of Signet Jewelers Limited intends to declare quarterly dividends.

27 Will I be paid a dividend by Signet Jewelers Limited in pounds sterling or US dollars?

Unless you request otherwise, you will continue to receive any dividends paid by Signet Jewelers Limited in the same currency as you currently receive dividends paid by Signet. More particularly, all mandates in force at the Effective Date relating to instructions given by Signet Shareholders as to the payment of dividends will, unless revoked, be deemed as from the Effective Date to relate to the corresponding Signet Jewelers Limited Shares. To the extent that Signet Jewelers Limited Shareholders do not have any such mandate in force at the Effective Date (and have not subsequently provided Signet Jewelers Limited with instructions on the payment of dividends), if dividends are declared by Signet Jewelers Limited:

Signet Jewelers Limited Shareholders with an address in the United Kingdom on the register of members of Signet Jewelers Limited on the date the dividend is declared will, unless they elect otherwise, automatically receive their dividend in pounds sterling; and

Signet Jewelers Limited Shareholders with an address outside the United Kingdom on the register of members of Signet Jewelers Limited on the date the dividend is declared will, unless they elect otherwise, automatically receive their dividend in US dollars.

Signet Jewelers Limited Shareholders who wish to change the currency in which they currently receive dividends should contact the Company's registrar, Capita Registrars.

28 Will I be able to trade my Signet Shares or Signet ADSs during the time between the date of this document and the Effective Date of the Scheme?

Yes, you will be able to trade your Signet Shares or Signet ADSs during the time between the date of this document and the close of business on the day before the Effective Date. The last date for dealings in Signet Shares and Signet ADSs is therefore expected to be 10 September 2008.

Certificated Holders of Signet Shares should note, however, that, if they intend to trade their Signet Shares between the date of this document and the Effective Date, they must ensure that the relevant trade has completed (i.e. settled) by no later than the Scheme Record Time, which is expected to be 5.00 p.m. on 10 September 2008. If any trades in certificated Signet Shares have not settled by this time, the relevant Signet Shareholder will be required to make arrangements with his financial adviser and/or broker to ensure that the trade is satisfied by the transfer of Signet Jewelers Limited Shares. Capita Registrars have indicated that in order to ensure that trades are completed by this time they must have received the documents necessary to effect the transfer by no later than 12.00 p.m. on the day of the Scheme Record Time.

If Certificated Holders of Signet Shares are in any doubt as to what action they should take, they should seek advice from their financial adviser and/or broker.

As noted above, Signet is applying to list the Signet Jewelers Limited Shares to be issued under the Scheme on the NYSE, and it is expected that you will be able to trade your Signet Jewelers Limited Shares on the NYSE from 11 September 2008 onwards. Signet also intends to apply to list the Signet Jewelers Limited Shares on the Official List (by way of a secondary listing) and for admission to trading of the Signet Jewelers Limited Shares on the London Stock Exchange's main market for listed securities and it is expected that you will be able to trade your Signet Jewelers Limited Shares on the London Stock Exchange from 11 September 2008 onwards.

The Effective Date is expected to be on or about 11 September 2008.

29 What is a secondary listing?

A secondary listing is an application for shares to be admitted to the Official List which is made pursuant to Chapter 14 of the Listing Rules. It is not a condition of a secondary listing that an issuer has a listing in another jurisdiction. A company whose shares are listed on the Official List by way of a secondary listing has fewer obligations under the Listing Rules than a company with a primary listing. If Signet Jewelers Limited is listed on the Official List (by way of secondary listing) as is intended, it will not be required to, and does not intend to, comply with the provisions of:

Chapter 6 of the Listing Rules relating to additional requirements for listings of equity securities;

Chapter 7 of the Listing Rules relating to the Listing Principles;

Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide a company in understanding and meeting its responsibilities under the Listing Rules;

Chapter 9 of the Listing Rules relating to the continuing obligations of a company after admission (and including the requirements of the Model Code);

Chapter 10 of the Listing Rules relating to significant transactions;

Chapter 11 of the Listing Rules regarding related party transactions;

Chapter 12 of the Listing Rules regarding purchases by a company of its own shares; and

Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders.

The Company believes that its shareholders should be aware that the FSA is currently undertaking a review of, and has published a discussion paper setting out possible changes to, the current UK listing regime. Whilst the review is wide-ranging, in relation to secondary listings, if certain of the options set out for consideration in the discussion paper were implemented they could result in: (1) shares that are listed by way of secondary listing being removed from the Official List (such shares would continue to trade on the LSE and would be subject to directive-minimum requirements which are broadly similar to the Listing Rules currently applicable to a secondary listing); or (2) the current structure being retained but a secondary listing being re-labelled as a Tier 2 Listing. In either of these cases the FSA would continue to have regulatory oversight as the securities would still be admitted to trading on a regulated market. The FSA has also requested comments on whether there should be increased corporate governance control in relation to overseas issuers including restrictions on shares being issued on a non-pre-emptive basis. A feedback statement from the FSA is expected to be published during the third quarter of 2008 (but no date has been set as to when any possible changes may be adopted).

The above represents the Company's views and interpretation of the FSA discussion paper in so far as it may affect secondary listings and the Company has not been required by the FSA to make any reference to this review in this document. The full discussion paper is available at the FSA's website at www.fsa.gov.uk/pubs/discussion/dp08_01.pdf.

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Signet Jewelers Limited, as a non-UK company, will not be required to comply with the Combined Code, but the board of directors of Signet Jewelers Limited will continue to have due regard for the principles of the Combined Code.

For further information on the material differences between the rights of a Signet Jewelers Limited Shareholder and a Signet Shareholder arising from the differences between the corporate laws of Bermuda and those of England and Wales, the governing instruments of the two companies, and the securities laws and regulations governing Signet and, upon completion of the Scheme, governing Signet Jewelers Limited, please see Part III of this document from page 48.

It should be noted that, if the Signet Jewelers Limited Shares are listed on the NYSE as intended, obligations arising from applicable securities and corporate legislation in the United States, as well as applicable rules of the NYSE, will apply to Signet Jewelers Limited.

30 Will US regulation of Signet Jewelers Limited be the same as for Signet?

As of the date of this document, Signet qualifies as a foreign private issuer under the SEC's rules. On 10 January 2008, Signet announced that the proportion of its voting securities held by US residents in mid-December 2007 was just below 50 per cent. If this percentage were to rise above 50 per cent, which could be more likely after the parent company of the Signet Group's primary listing is moved from the Official List to the NYSE (but could also arise if the Proposal is not effected), the parent company of the Signet Group would no longer satisfy the definition of a foreign private issuer under the rules and regulations of the SEC and, on a measuring date specified by the SEC's rules, it and its insiders would become subject to additional US reporting, disclosure and corporate governance requirements, including but not limited to:

quarterly and annual reporting on US forms;

proxy rules and disclosure;

current reporting on Form 8-K;

financial statements prepared in accordance with US GAAP;

insider reporting and short swing profit recovery rules;

board independence and other NYSE listing requirements; and

Regulation FD prohibition on selective disclosure of material, non-public information.

31 Who will the directors of Signet Jewelers Limited be?

The directors of Signet Jewelers Limited as at 20 July 2008 (being the last practicable date prior to the publication of this document) are Sir Malcolm Williamson, Russell Walls, Walker Boyd, Terry Burman, Dale Hilpert, Robert Blanchard and Mark Light. See the Chairman's letter in Part I of this document for a further explanation of the composition of the board of Signet Jewelers Limited.

32 Will I still be entitled to a Signet Shareholder discount card?

The Signet Shareholder discount card scheme will continue to be made available after the implementation of the Proposal to shareholders on the UK register of members of Signet Jewelers Limited.

Signet Shareholders who hold less than 20 Signet Shares as at the Scheme Record Time will not receive any Signet Jewelers Limited Shares following the Share Capital Consolidation and will receive cash in respect of their fractional entitlements. However, such shareholders will continue to be entitled to retain and use a Signet Shareholder discount card for a period of up to two years following the Effective Date, subject to the terms of the discount card scheme.

33 What if I still have questions?

Please call one of the helplines shown below. The helplines will not provide advice on the merits of the Proposal or give any financial, legal or taxation advice. For financial or taxation advice, you will need to consult an independent financial adviser.

FOR FURTHER INFORMATION

Helplines are available during normal business hours, Monday to Friday.

Helpline operators cannot provide financial, taxation or legal advice or advice on the merits of the Proposal.

For Signet Shareholders:

For callers dialling from within the UK, the helpline number is 0871 664 0440. For callers dialling outside the UK, the helpline number is +44 20 8639 3443. Calls to the Capita Registrars 0871 664 0440 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registrars +44 20 8639 3443 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

For Signet ADS Holders:

For callers dialling from within the US, the toll free helpline number is (866) 249-2593. For callers dialling from outside the US, the toll collect helpline number is +1 (718) 921-8137.

PART I

LETTER FROM THE CHAIRMAN OF SIGNET

Registered Office

15 Golden Square

London

W1F 9JG

24 July 2008

Dear Signet Shareholders and Signet ADS holders

Introduction

The Board believes that the proposal to move to a US primary listing on the NYSE is in the best interests of Signet Shareholders. This is the natural next step in the evolution of the Company's shareholder base which has seen a steady growth in US ownership since 2003, including a significant increase over the last 12 months, with almost 50 per cent of Signet's voting securities now being beneficially owned by US residents. The Proposal will align the place of listing with the business activities of the Signet Group, which are predominantly based in the US, and where the Board expects the majority of the Signet Group's future growth to take place. Currently over 70 per cent of the Signet Group's sales, operating profit and net assets is in the US. The Board considers there to be a potentially larger pool of investors in the US than in the UK who are more familiar with the Signet Group's business model, have a better understanding of the underlying economic environment in the US and a lower exposure to foreign exchange movements impacting the value of their investment. In addition, the Board expects that the parent company of the Signet Group would benefit from its primary listing being amongst a more appropriate public company peer group.

Signet remains fully committed to enhancing its strong presence in the UK speciality jewellery market. As part of this ongoing investment, Signet Jewelers Limited intends to continue to encourage UK share ownership and investment with a secondary listing on the Official List, which it intends to establish concurrently with the commencement of trading of Signet Jewelers Limited Shares on the NYSE on 11 September 2008, subject to the Scheme of Arrangement becoming effective and the UK Listing Authority approving the related prospectus and application.

To be eligible for inclusion in US domestic stock indices the parent company of the Signet Group could not remain domiciled in England and Wales. It was therefore decided to move the parent company of the Signet Group's domicile to Bermuda as it is a well established jurisdiction for companies traded on US stock exchanges and included in US domestic stock indices such as Standard & Poor's. In addition, a change of domicile

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of the parent company of the Signet Group to Bermuda will minimise the impact on shareholders by allowing it to have legal, regulatory, capital and financial positions largely consistent with those of Signet today. Furthermore, a change of domicile of the parent company of the Signet Group to the US could have caused adverse US tax consequences these adverse US tax consequences do not arise where the parent company of the Signet Group's domicile is changed to Bermuda.

The Proposal

On 10 July 2008, following a review of the most appropriate primary stock listing and domicile, the Board announced that it had unanimously approved a series of inter-related proposals, namely:

to move the primary listing of the parent company of the Signet Group from the Official List to the NYSE;

to reorganise the Signet Group pursuant to a Court approved scheme of arrangement so that Signet becomes a wholly-owned subsidiary of Signet Jewelers Limited, a new company incorporated in Bermuda, and former Signet Shareholders and Signet ADS holders become shareholders of Signet Jewelers Limited;

to implement a one-for-twenty share capital consolidation (also known as a reverse stock split) after the Scheme of Arrangement becomes effective; and

to apply for a secondary listing on the Official List.

The Scheme is conditional upon those matters set out in Part IV of this document, including the approval of Signet Shareholders at the Court Meeting and the passing of a special resolution at the Scheme GM. The proposed move of primary listing, the proposed Share Capital Consolidation and the proposed secondary listing of Signet Jewelers Limited Shares on the Official List are each subject to the Scheme becoming effective in accordance with its terms, but do not otherwise require further approval from Signet Shareholders. The proposed secondary listing of Signet Jewelers Limited Shares on the Official List is also subject to the UK Listing Authority approving the related prospectus and application and accordingly, in the event that such approval is not forthcoming, the secondary listing of Signet Jewelers Limited Shares on the Official List may not take effect as intended.

If fully implemented, the Proposal will result in all Signet Shares being replaced by Signet Jewelers Limited Shares, on the following basis:

one Signet Jewelers Limited Share for every twenty Signet Shares held at the Scheme Record Time.

Signet Shares held by the ADS Depository will be subject to the Scheme of Arrangement and the Share Capital Consolidation on the same terms as all other Signet Shares. Accordingly, if fully implemented, the Proposal will also result in all Signet ADSs being replaced by Signet Jewelers Limited Shares on the following basis:

one Signet Jewelers Limited Share for every two Signet ADSs.

You will not have to pay anything for the Signet Jewelers Limited Shares.

The actions set forth above are being proposed following a period of extensive consultation with major shareholders. **The Board believes that the Proposal, including the Scheme and the Share Capital Consolidation, is in the best interests of Signet, Signet Shareholders and Signet ADS holders taken as a whole for the reasons set forth below:**

the Proposal will align the place of listing with the business activities of the Signet Group which are predominantly based in the US and where the Board expects the majority of the Signet Group's future growth to take place. Currently over 70 per cent of the Signet Group's sales, operating profit and net assets is located in the US;

a US primary listing is the natural next step in the evolution of the Company's shareholder base which has seen a steady growth in US ownership since 2003, including a significant increase over the last 12 months, with almost 50 per cent of Signet's voting securities being beneficially owned by US residents;

the Board considers there to be a potentially larger pool of investors in the US than in the UK who are more familiar with the Signet Group's business model, have a better understanding of the underlying economic environment in the US and a lower exposure to foreign exchange movements impacting the value of their investment;

the Board expects that the parent company of the Signet Group would benefit from its primary listing being amongst a more appropriate public company peer group;

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to be eligible for inclusion in US domestic stock indices the parent company of the Signet Group could not remain domiciled in England and Wales. It was therefore decided to move the parent company of the Signet Group's domicile to Bermuda as it is a well established jurisdiction for companies traded on US stock exchanges and included in US domestic stock indices. In addition, a change of domicile of the parent company of the Signet Group to Bermuda will minimise the impact on shareholders by allowing it to have legal, regulatory, capital and financial positions largely consistent with those of Signet today. Furthermore, a change of domicile of the parent company of the Signet Group to the US could have caused adverse US tax consequences these adverse US tax consequences do not arise where the parent company of the Signet Group's domicile is changed to Bermuda;

the Share Capital Consolidation should cause the shares of Signet Jewelers Limited to trade initially on the NYSE at a price more readily comparable to its peers. Whilst the Share Capital Consolidation will reduce the number of issued shares of Signet Jewelers Limited, shareholders will still own the same proportion of Signet Jewelers Limited immediately after the Scheme of Arrangement becomes effective as they did of Signet immediately before the Scheme of Arrangement became effective, subject to fractional interests, if any; and

a secondary listing on the Official List will allow UK shareholders and employees to continue trading in Signet Jewelers Limited Shares more easily than if Signet Jewelers Limited was only listed on the NYSE.

The proposals set forth above are described in more detail in the various parts of this document. **You are strongly urged to read this document in its entirety in order to gain a better understanding of the proposals set forth herein and not to rely solely upon the information set forth in this letter.**

The board of directors of Signet Jewelers Limited

The proposal to move to a US primary listing on the NYSE and to maintain a secondary listing on the Official List, reflects the natural next step in the evolution of the Company's shareholder base and reflects the movement that has occurred in the business activities of the Signet Group. These business activities are now predominantly based in the US, where the Board expects the majority of the Signet Group's future growth to take place. The Board expects that the parent company of the Signet Group would benefit from its primary listing being amongst a more appropriate public company peer group.

It is considered that the composition of Signet Jewelers Limited's board should reflect this realignment from a UK to a US primary listed company. Consequently, it is proposed that the majority of the Signet Jewelers Limited board should be resident in the US, as such directors will be more familiar with the place of primary listing, with the US business activities and have a better understanding of the underlying economic environment in the US. Such a board will also be more in keeping with Signet Jewelers Limited's status as a US primary listed company.

The UK market and shareholder base will remain a vital part of the Signet Group's future and consequently it is important that certain UK resident members of the existing Board of Signet, who are familiar with the Signet Group's UK business, UK shareholder base and underlying UK economic environment, are asked to serve on the new board of Signet Jewelers Limited. In addition, the Board is mindful that as Signet Jewelers Limited is a Bermuda resident company it should not be UK managed and controlled. In keeping with these principles and objectives, the initial board of Signet Jewelers Limited will comprise Sir Malcolm Williamson, Terry Burman, Walker Boyd, Russell Walls, Dale Hilpert, Robert Blanchard and Mark Light.

It is the intention that further directors will be added when identified, particularly those with experience of the US market and that additional UK directors may also be added.

Admission and listing

The Signet Jewelers Limited Shares are intended to be listed on the NYSE. The listing of the Signet Jewelers Limited Shares on the NYSE is expected to become effective on the Effective Date and dealings in Signet Jewelers Limited Shares on the NYSE are expected to commence at 2.30 p.m. (9.30 a.m. New York time) on 11 September 2008, being the expected Effective Date. The current listing of Signet ADSs on the NYSE is intended to be cancelled simultaneously with the commencement of dealings of the Signet Jewelers Limited Shares on the NYSE.

The Signet Jewelers Limited Shares are also intended to be listed on the Official List (by way of a secondary listing) and admitted to trading on the London Stock Exchange's main market for listed securities with effect from 8.00 a.m. on 11 September 2008, being the expected Effective Date. Subject to UK Listing Authority approval, a prospectus will be published and an application made in due course. The Company intends to make an application for the cancellation of the listing of Signet Shares on the Official List and their admission to trading on the London Stock Exchange's main market for listed securities and it is expected that this cancellation will take effect simultaneously with the listing of the Signet Jewelers Limited Shares on the Official List.

Dividends

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Following implementation of the Proposal, Signet Jewelers Limited intends to adopt a dividend policy that will continue to take into account the needs of the business including its store development programme, the significant competitive advantages of a strong balance sheet, as well as the wider economic environment. The board of Signet Jewelers Limited will also take account of the payout ratio of US listed speciality retailers, which are typically lower than in the UK. The board of Signet Jewelers Limited may also consider the repurchase of shares from time to time.

Signet currently intends to declare an interim dividend of 0.96 cents per share when it announces its 6 months results to 31 July 2008 on 3 September 2008. It is intended that this interim dividend distribution by Signet will be passed on to shareholders by Signet Jewelers Limited in November 2008. A final dividend will be considered by Signet Jewelers Limited at the time of the full year results for 2008/09 in March 2009. In subsequent years the board of Signet Jewelers Limited intends to declare quarterly dividends.

For more details on dividends please refer to paragraph 9 of Part II of this document.

The Signet Share Plans and the Signet Jewelers Limited Share Plans

Participants in the Signet Share Plans will have the opportunity to agree the replacement of existing options and awards over Signet Shares with options of equivalent value over Signet Jewelers Limited Shares. Options granted

before 2003 will be capable of exercise but in view of the current share price it is expected most participants will take advantage of the opportunity to apply for the replacement options. You should read paragraphs 13 and 14 of Part II of this document for further information in relation to the Signet Share Plans and the new share plans to be established.

Taxation

Please refer to paragraph 11 of Part II of this document for a detailed description of the tax consequences for UK and US resident Signet Shareholders and Signet ADS holders. For all other jurisdictions, or if you are in any doubt about your taxation position, you should consult your professional adviser.

Overseas Shareholders

If you are resident outside the United Kingdom or the United States, or a national or citizen of jurisdictions outside the United Kingdom or the United States, you should read paragraph 12 of Part II of this document.

CREST and Depositary Interests

For further details of these arrangements, in particular if you intend to hold your Signet Jewelers Limited Shares in uncertificated form, please see paragraph 8 of Part II of this document.

Secondary listing on the Official List

A company whose shares are listed on the Official List by way of a secondary listing has fewer obligations under the Listing Rules than a company with a primary listing. If Signet Jewelers Limited is listed on the Official List (by way of secondary listing) as is intended, it will not be required to, and does not intend to, comply with the provisions of Chapters 6 – 13 of the Listing Rules. However, the disclosure requirements under the Disclosure and Transparency Rules will continue to apply to Signet Jewelers Limited and holders of Signet Jewelers Limited Shares (although the relevant disclosure thresholds will differ from those currently applicable to Signet and Signet Shareholders as is described in further detail in the Disclosure of Interests section of Part III of this document on pages 62 to 64).

Signet Jewelers Limited, as a non-UK company, will not be required to comply with the Combined Code. However, the board of directors of Signet Jewelers Limited will continue to have due regard for the principles of the Combined Code.

It should be noted that, if the Signet Jewelers Limited Shares are listed on the NYSE as intended, obligations arising from applicable securities and corporate legislation in the United States, as well as applicable rules of the NYSE, will apply to Signet Jewelers Limited.

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For further information on the material differences between the rights of a Signet Jewelers Limited Shareholder and a Signet Shareholder arising from the differences between the corporate laws of Bermuda and those of England and Wales, the governing instruments of the two companies, and the securities laws and regulations governing Signet and, upon completion of the Scheme, governing Signet Jewelers Limited please see Part III of this document on page 48.

The Takeover Code

Following implementation of the Proposal, the Takeover Code will not apply to acquisitions of shares in, or offers for shares of, Signet Jewelers Limited. For more details on the Takeover Code please refer to paragraph 7 of Part II of this document.

A summary of key points regarding the application of the Takeover Code to takeovers generally is set out in Part VI of this document. You are encouraged to read this information carefully as it outlines certain important protections which you will be giving up if the Scheme is implemented.

The Signet Jewelers Limited Bye-laws contain provisions relating to takeovers as described in Part III of this document, Takeovers of Public Companies .

The Court Meeting and the Scheme GM

In order to seek your approval of the matters set forth above and otherwise described in this document, Signet will hold two meetings of shareholders a Court Meeting and a Scheme GM. The Court Meeting is a statutory requirement and is convened by the Court to approve the Scheme itself whereas the Scheme GM is a general

meeting of the Company convened by the Company in order to pass two resolutions including a special resolution which is necessary to allow the Proposal (including the Scheme) to be implemented. The special resolution is being proposed for the purpose of giving effect to the Scheme, and in particular to:

- (i) authorise the Directors to take all such actions as they may consider necessary or appropriate for carrying the Scheme into effect;
- (ii) approve the cancellation of the Scheme Shares;
- (iii) approve: (A) the increase of Signet's share capital by the number of shares that are cancelled pursuant to the Capital Reduction; (B) the application of the reserve arising out of the cancellation of the Scheme Shares to pay up in full the number of new shares in Signet created pursuant to the increase of Signet's share capital described at (A) above; and (C) the issue, pursuant to section 80 of the Companies Act 1985 (in relation to the authority of Directors to allot shares), of such new shares; and
- (iv) amend the Articles of Association to: (A) ensure that any Signet Shares issued after the date of such amendment to the Articles but before the Reduction Record Time are issued subject to the terms of the Scheme; (B) provide that, subject to the Scheme becoming effective, any Signet Shares issued on or after the Reduction Record Time will automatically be transferred to Signet Jewelers Limited in consideration of the issue to such holder by Signet Jewelers Limited of Signet Jewelers Limited Shares on the same terms as under the Scheme and Share Capital Consolidation; and (C) make provision for Overseas Shareholders in respect of whom Signet is advised that the issue of Signet Jewelers Limited Shares may infringe the laws of an overseas jurisdiction or may require Signet to comply with obligations with which it is unable to comply with or compliance with which it regards as unduly onerous (the proposed amendments are described in more detail in paragraph 3.3 of Part II of this document).

The second resolution is an ordinary resolution (which is subject to the special resolution above first having been approved) and is being proposed to give Signet Shareholders the opportunity to approve in principle the operation by Signet Jewelers Limited of the Signet Jewelers Limited Share Plans. These are employee share plans that Signet Jewelers Limited has established for continuing use after completion of the Proposal. These replacement plans will provide for the use of Signet Jewelers Limited Shares instead of Signet Shares but otherwise will be in substantially similar form to the existing Signet Share Plans, subject to some updating to bring the plans in line with current practice. Further details are set out in paragraph 14 of Part II of this document.

The Shareholder Meetings are to be held at Café Royal, 68 Regent Street, London W1B 5EL from 11.30 a.m. on 19 August 2008. Formal notices of the meetings are set out on pages 84 to 91 of this document.

It should be noted that Signet ADS holders will not be entitled to attend the Shareholder Meetings. However, Signet ADS holders will be able to have the votes attaching to the underlying Signet Shares which their Signet ADSs represent cast at the Court Meeting and the Scheme GM by using the ADS Voting Instruction Card to direct the manner in which the ADS Depositary should vote such underlying Signet Shares at the Shareholder Meetings. In addition, a Signet ADS holder who wishes to attend the Shareholder Meetings may do so by becoming the registered holder of the Signet Shares underlying their Signet ADSs by arranging for the surrender of the Signet ADSs in accordance with the terms and conditions of the Deposit Agreement, as discussed in paragraph 10 of Part II of this document.

In the event that the resolution to be proposed at the Court Meeting and the special resolution to be proposed at the Scheme GM are not both passed by the requisite majority or the Court does not sanction the Scheme, none of the proposed redomiciliation, the Share Capital Consolidation, the listing of the Signet Jewelers Limited Shares on the NYSE or the listing of the Signet Jewelers Limited Shares on the Official List will take place.

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Even if you intend to attend the Shareholder Meetings, you are strongly encouraged to vote by completing and returning the enclosed forms of proxy for the Court Meeting and Scheme GM in accordance with the instructions contained in this document and on the forms of proxy.

Action to be taken

Implementation of the Scheme will require the approval of Scheme Shareholders at the Court Meeting which has been convened by order of the Court and which is to be held at Café Royal, 68 Regent Street, London W1B 5EL at 11.30 a.m. on 19 August 2008. The Scheme will also require the Signet Shareholders to pass the special resolution to be proposed at the Scheme GM to be held at Café Royal, 68 Regent Street, London W1B 5EL at 11.45 a.m. on the same day (or as soon thereafter as the Court Meeting shall have concluded or been adjourned).

If the Scheme becomes effective, it will be binding on all Scheme Shareholders, including any Scheme Shareholders who did not vote to approve the Scheme or who voted against the Scheme.

Signet Shareholders will find enclosed different coloured forms of proxy to be used in connection with the Court Meeting and the Scheme GM (as detailed on page 4 of this document under the heading 'Enclosures'). **Whether or not Signet Shareholders intend to attend these meetings, they are requested to complete and sign each form of proxy enclosed with this document and return them in accordance with the instructions printed thereon to Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible and in any event at least 48 hours prior to the relevant meeting.** If the BLUE forms of proxy relating to the Court Meeting are not lodged by then, they may be handed to the chairman of the Court Meeting before the start of that meeting. However, in the case of the Scheme GM, unless the WHITE form of proxy is lodged so as to be received by the time mentioned in the instructions on that form of proxy, it will be invalid.

The completion and return of the BLUE form of proxy for the Court Meeting will not preclude Signet Shareholders from attending the Court Meeting and voting in person, if they so wish. The completion and return of the WHITE form of proxy will not preclude Signet Shareholders from attending the Scheme GM and voting in person, if they so wish.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of Signet Shareholder opinion. You are therefore strongly urged to sign and return both forms of proxy as soon as possible.

Signet ADS holders should read paragraph 10 of Part II of this document, which contains further important information which is relevant to them. Signet ADS holders are strongly urged to sign and return the ADS Voting Instruction Card as soon as possible.

If you are in any doubt as to the action to be taken, please contact the helpline numbers as set out on page 4 of this document.

Recommendation

The Board, which has received financial advice from Lazard & Co., Limited, considers the terms of the Proposal to be fair and reasonable. In providing their advice to the Board, Lazard & Co., Limited has relied upon the Board's commercial assessment of the Proposal. The Board considers that the Proposal (including the passing of each of the resolutions to be proposed at the Court Meeting and Scheme GM) is in the best interests of Signet, Signet Shareholders and Signet ADS holders taken as a whole and unanimously recommends that you support the Scheme of Arrangement by, if you are a Signet Shareholder, voting, or, if you are a Signet ADS holder, instructing the ADS Depositary to vote, in favour of the resolutions to be proposed at the Court Meeting and the Scheme GM as the Directors intend to do in respect of their own holdings of Signet Shares, details of which appear in paragraph 5 of Part VII of this document.

General

Thank you for your consideration of the matters set forth herein. If you should have questions after reading this document, helplines have been established to address your questions. Information regarding the helplines is set forth in this document.

Yours faithfully

Sir Malcolm Williamson

Chairman

Signet Group plc

PART II

EXPLANATORY STATEMENT

(in compliance with Part 26 of the Companies Act 2006)

Lazard & Co., Limited

(Registered in England No. 162175)

Registered Office:

50 Stratton Street, London W1J 8LL

To the holders of Signet Shares and Signet ADS holders

24 July 2008

Dear Signet Shareholders and Signet ADS holders

1 Introduction

We are writing to you to explain the Proposal, including the Scheme and the Share Capital Consolidation, and its effects.

On 10 July 2008, the Board of Directors of Signet announced that it had approved a series of inter-related proposals. The main proposals are:

- (i) to move the primary listing of the parent company of the Signet Group from the Official List to the NYSE;
- (ii) to reorganise the Signet Group pursuant to a Court approved scheme of arrangement so that Signet becomes a wholly-owned subsidiary of Signet Jewelers Limited, a new company incorporated in Bermuda, and former Signet Shareholders and Signet ADS holders become shareholders of Signet Jewelers Limited;

- (iii) to implement a one-for-twenty share capital consolidation (also known as a reverse stock split) after the Scheme of Arrangement becomes effective; and
- (iv) to apply for a secondary listing on the Official List.

Your attention is drawn to the letter from the Chairman of Signet set out in Part I of this document, which forms part of this Explanatory Statement. The letter contains, among other matters, information on the reasons for the Proposal and the unanimous recommendation by the Board to Signet Shareholders to vote in favour and, in the case of Signet ADS holders to instruct the ADS Depositary to vote in favour, of the resolutions to be proposed at the Court Meeting and the Scheme GM.

The Directors intend to vote in favour of the resolutions to be proposed at the Court Meeting and the Scheme GM in respect of their own beneficial holdings, which amount in aggregate to 1,746,323 Signet Shares. This represents, as at close of business on 20 July 2008 (being the last practicable day before publication of this document), approximately 0.10 per cent of the votes capable of being cast at the Court Meeting and Scheme GM. The Directors have retained Lazard & Co., Limited as financial advisers in connection with the Scheme. We have been authorised by the Directors to write to you to explain the Scheme and other components of the Proposal and to provide you with other relevant information. The Scheme is set out in full in Part V of this document. Your attention is also drawn to the information regarding Signet and Signet Jewelers Limited contained in Parts III and VII of this document.

You are strongly urged to read this document in its entirety in order to gain a better understanding of the proposals set forth herein.

2 Summary of the terms of the Proposal

2.1 The Scheme

Under the Scheme, Signet is proposing to reorganise the Signet Group pursuant to a Court approved scheme of arrangement under Part 26 of the Companies Act so that Signet becomes a wholly and directly owned

subsidiary of Signet Jewelers Limited and former Signet Shareholders become shareholders of Signet Jewelers Limited. Immediately following the Scheme becoming effective, former Signet Shareholders will hold 100 per cent of the Signet Jewelers Limited Shares in issue.

The Scheme will be implemented by cancelling and extinguishing all of the Scheme Shares on the Effective Date, capitalising the reserve created by the cancellation and issuing New Signet Shares to Signet Jewelers Limited. In return for Signet Jewelers Limited's receipt of New Signet Shares, Scheme Shareholders (including the ADS Depository) will receive one Signet Jewelers Limited Share for each Signet Share held by them at the Scheme Record Time (which is currently expected to be 5.00 p.m. on 10 September 2008). Your attention is drawn to paragraph 3 of this Part II where the Scheme is explained in greater detail.

2.2 The Share Capital Consolidation

As part of the Proposal, Signet Jewelers Limited intends to implement a share capital consolidation (also known as a reverse stock split), on a one-for-twenty basis, in respect of the Signet Jewelers Limited Shares issued under the Scheme. The Share Capital Consolidation is intended to be implemented immediately after the Scheme becomes effective. Your attention is drawn to paragraph 5 of this Part II where the Share Capital Consolidation is explained in greater detail.

2.3 Signet ADS holders

As part of the Proposal, following both the Scheme and the Share Capital Consolidation becoming effective, Signet ADS holders will be able to surrender their Signet ADSs for shares in Signet Jewelers Limited on the basis of one Signet Jewelers Limited Share for every two ADSs surrendered. Holders of Signet ADSs should read paragraph 10 of this Part II, which contains more particular information about the Proposal as it affects holders of Signet ADSs.

2.4 Combined effect

The combined effect of the above is that:

- (i) former Signet Shareholders will receive one Signet Jewelers Limited Share for every twenty Signet Shares they held on the Scheme Record Time; and
- (ii) former Signet ADS holders will receive one Signet Jewelers Limited Share for every two Signet ADSs.

You will not have to pay anything for the Signet Jewelers Limited Shares.

2.5 Change in listing

It is intended that, once both the Scheme and the Share Capital Consolidation become effective, the Signet Jewelers Limited Shares will be listed on the NYSE and the existing listing of the Signet ADSs on the NYSE will be cancelled. It is also intended that an application will be made to list the Signet Jewelers Limited Shares on the Official List (by way of secondary listing) and for their admission to trading on the London Stock Exchange's main market for listed securities and that the existing listing of the Signet Shares on the Official List and their admission to trading

on the London Stock Exchange will be cancelled.

Signet ADS holders should read paragraph 10 of this Part II, which contains important information to Signet ADS holders regarding the Proposal which is relevant to them.

Participants in the Signet Share Plans should read paragraphs 13 and 14 of this Part II, which contains further important information which is relevant to them.

3 Structure of the Scheme

3.1 *The Scheme*

The Proposal is to be effected by way of a scheme of arrangement under Part 26 of the Companies Act, the provisions of which are set out in full in Part V of this document.

On the Scheme becoming effective, the entire issued ordinary share capital of Signet as at the Reduction Record Time will be cancelled and extinguished and New Signet Shares will be issued by Signet to Signet Jewelers Limited by a capitalisation of the reserves arising from such cancellation, so that Signet becomes a wholly-owned subsidiary of Signet Jewelers Limited.

Signet Shareholders will then receive Signet Jewelers Limited Shares on the basis set out in paragraph 2.1 of this Part II.

To become effective, the Scheme requires the approval of: (i) a majority in number of those Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting; and (ii) 75 per cent or more in value of all Signet Shares held by such Scheme Shareholders and voted at that meeting. The Scheme also requires the sanction of the Court and the passing of the special resolution necessary to implement the Scheme at the Scheme GM, as well as satisfaction or waiver of the other conditions set out in Part IV of this document.

If the Scheme becomes effective, it will be binding on all Scheme Shareholders, including any Scheme Shareholders who did not vote to approve the Scheme or who voted against the Scheme.

On the Effective Date, share certificates in respect of Signet Shares will cease to be valid and Signet Shareholders who hold their Signet Shares in certificated form should, if requested to do so by Signet Jewelers Limited, send such certificates to Signet Jewelers Limited for cancellation. In addition, on the Effective Date, entitlements to Signet Shares held within the CREST system will be cancelled.

3.2 Conditions

The Scheme is subject to a number of conditions set out in full in Part IV of this document.

The Scheme will require approval by the Signet Shareholders at the Court Meeting and the special resolution will need to be passed at the Scheme GM. The Shareholder Meetings and the nature of the approvals required to be given at each of them are described in more detail in paragraph 4 of this Part II.

The Scheme can only become effective if all conditions to the Scheme, including approvals at the Shareholder Meetings and the sanction of the Court, have been satisfied or, where appropriate, waived. Signet Shareholders are entitled to attend the Shareholder Meetings in person or by proxy to support or oppose the Scheme. The Scheme will become effective upon the delivery for registration to the Registrar of copies of the Court Orders and the registration of the Reduction Court Order. Unless the Scheme becomes effective by not later than 31 December 2008, or such later date as Signet and Signet Jewelers Limited may agree and the Court may allow, the Scheme will lapse and will not proceed.

In addition, the Directors will not prior to or after the First Court Hearing take the steps necessary to enable the Scheme and the Capital Reduction to become effective unless, at the relevant time, they consider that the Scheme continues to be in the best interests of Signet Shareholders as a whole.

Signet Jewelers Limited has agreed to consent to the Scheme and to undertake to be bound by the terms of the Scheme. The First Court Hearing is expected to be held on 8 September 2008 and the Second Court Hearing is expected to be held on 10 September 2008. It is necessary to have two separate Court hearings to allow people who have options over Signet Shares under the Signet Share Plans which will be triggered on the Scheme being sanctioned at the First Court Hearing, to exercise those options in time for their Signet Shares to be issued before the Reduction Record Time and therefore be Scheme Shares which will be cancelled under the Scheme.

If the Scheme is sanctioned by the Court and the conditions to the Scheme are satisfied or waived, it is expected that the Scheme will become effective on 11 September 2008, and that dealings in the Signet Jewelers Limited Shares issued pursuant to the Scheme will commence on the NYSE at 2.30 p.m. (9.30 a.m. New York time) on 11 September 2008 and on the London Stock Exchange at 8.00 a.m. on 11 September 2008.

3.3 Amendment to Signet's Articles of Association

It is proposed, as part of the special resolution to be proposed at the Scheme GM, to amend Signet's Articles of Association to ensure that any Signet Shares issued after the date of such amendment to the Articles but before the Reduction Record Time are issued subject to the terms of the Scheme. The amended Articles of Association will also provide that, subject to the Scheme becoming effective, any Signet Shares issued on or after the Reduction Record Time, for example, upon the exercise of options under the Signet Share Plans, will automatically be transferred to Signet Jewelers Limited in consideration of the issue to such holder by Signet Jewelers Limited of Signet Jewelers Limited Shares on the same terms as under the Scheme and Share Capital Consolidation (provided that such Signet Jewelers Limited Shares will not be issued until the Effective Date). This will avoid any person other than Signet Jewelers Limited or its nominee(s) holding Signet Shares after the Scheme becomes effective.

In addition, the amended Articles of Association will provide that, in connection with the Scheme, if, in respect of an Overseas Shareholder (or a person whom Signet reasonably believes to be an Overseas Shareholder), Signet is advised that the issue of Signet Jewelers Limited Shares may infringe the laws of an

overseas jurisdiction (or may require Signet to comply with obligations with which it is unable to comply with or compliance with which it regards as unduly onerous), Signet is authorised to appoint a person to transfer the Scheme Shares held by such shareholder to a nominee who shall then sell the Signet Jewelers Limited Shares it receives under the Scheme and transfer the net proceeds of such sale to the shareholder.

Paragraph 1.4 of the special resolution set out in the notice of Scheme GM at Part X of this document seeks shareholder approval for such amendments.

3.4 *Securities Act considerations*

Signet has been advised that Signet Jewelers Limited Shares may be issued to Signet Shareholders under the Scheme without registration under the Securities Act pursuant to an exemption provided by section 3(a)(10) of the Securities Act and, as a consequence, the issuance of Signet Jewelers Limited Shares will not be registered under the Securities Act. In reliance on the pre-emption attached to NYSE listing, the issuance of Signet Jewelers Limited Shares will not be registered under the securities laws of any state or other jurisdiction of the United States. Signet will advise the Court that its sanctioning of the Scheme will be relied upon by Signet and Signet Jewelers Limited as a Court approval of the Scheme for the purpose of qualifying for the exemption from the registration requirements of the Securities Act described above.

4 Shareholder Meetings

The Scheme will require the approval of Scheme Shareholders at the Court Meeting and of Signet Shareholders at the Scheme GM. Both such meetings are expected to be held on 19 August 2008.

Notices of the Court Meeting and the Scheme GM are set out on pages 84 to 91 of this document. Entitlement to attend and vote at these meetings and the number of votes which may be cast thereat will be determined by reference to the register of members of Signet at 6.00 p.m. on 17 August 2008 which is two days before the date of the Shareholder Meetings (or, in the event that the Shareholder Meetings are adjourned, by reference to the register of members of Signet at 6.00 p.m. on the day that is two days before the adjourned Shareholder Meetings).

4.1 *Court Meeting*

The Court Meeting has been convened by the Court for 11.30 a.m. on 19 August 2008 in accordance with the direction of the Court to enable the Scheme Shareholders to consider and, if thought fit, approve the Scheme. In relation to the Court Meeting, voting will be by way of poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for every Scheme Share they held as at the Voting Record Time.

4.2 *Scheme general meeting*

The Scheme GM has been convened by the Company for 11.45 a.m. on 19 August 2008 (or as soon thereafter as the Court Meeting shall have concluded or been adjourned) to enable Signet Shareholders to consider and, if thought fit, pass two resolutions, including a special resolution which requires a vote in favour of not less than 75 per cent of the votes cast. The special resolution is necessary to allow the Proposal (including the Scheme) to be implemented. The special resolution is being proposed for the purpose of giving effect to the Scheme, and in particular to:

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- (i) authorise the Directors to take all such actions as they may consider necessary or appropriate for carrying the Scheme into effect;
- (ii) approve the cancellation of the Scheme Shares;
- (iii) approve: (A) the increase of Signet's share capital by the number of shares that are cancelled pursuant to the Capital Reduction; (B) the application of the reserve arising out of the cancellation of the Scheme Shares to pay up in full the number of new shares in Signet created pursuant to the increase of Signet's share capital described at (A) above; and (C) the issue, pursuant to section 80 of the Companies Act 1985 (in relation to the authority of Directors to allot shares), of such new shares; and
- (iv) amend the Articles of Association (the proposed amendments are described in more detail in paragraph 3.3 of this Part II).

The second resolution is an ordinary resolution (which is subject to the special resolution above first having been approved) and is being proposed to give Signet Shareholders the opportunity to approve in principle the operation by Signet Jewelers Limited of the Signet Jewelers Limited Share Plans.

Voting at the Scheme GM will be by way of a poll and each Signet Shareholder present in person or by proxy will be entitled to one vote for every Signet Share held at the Voting Record Time.

4.3 Voting at each Shareholder Meeting

The approval required at the Court Meeting is: (i) a majority in number of those Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting; and (ii) 75 per cent or more in value of all Scheme Shares held by such Scheme Shareholders and voted at that meeting.

All Signet Shareholders who hold Signet Shares as at the Voting Record Time are entitled to vote at the Court Meeting and the Scheme GM.

At both the Court Meeting and Scheme GM, voting will be by way of poll and therefore each Signet Shareholder present in person or by proxy will be entitled to one vote for each Signet Share held.

If you are a Signet Shareholder a BLUE form of proxy for use at the Court Meeting and a WHITE form of proxy for use at the Scheme GM are enclosed with this document. Any proxy given may be revoked at any time up to 48 hours before the start of the relevant meeting (or any adjournment thereof) by notifying Capita Registrars in writing of such revocation at the address set out on the proxy form. Alternatively, if the relevant Signet Shareholder attends and votes in person at the meeting or any adjournment thereof, the proxy will be disregarded.

At the Court Meeting, Signet Shares may be voted either for or against with respect to the Scheme and Signet Shares that are not voted for or against will not be considered present at such meeting and will therefore not have an effect on the outcome of the vote.

At the Scheme GM, Signet Shares may be voted either for, against or vote withheld with respect to the resolutions that are put to vote. Signet Shares that are not voted for, against or vote withheld in respect of such resolutions will not be considered present at such meeting and, as a result, such shares will not have an effect on the outcome of the vote. Shares voted withheld will not be a vote in law and will not count in the calculation of the proportion of the votes cast for and against the resolutions.

Duly executed forms of proxy will be voted in accordance with the instructions provided therein and to the extent no instructions are given the shares may be voted (or withheld from voting) at the meeting as the proxy thinks fit. At the Scheme GM, if no alternative proxy is indicated, the chairman of the meeting will act as the proxy, which, in the absence of any instruction, will be voted in accordance with the recommendations of the Board as described in this document. Your attention is drawn to the new regime for the appointment of proxies, in particular the appointment of more than one proxy, as set out in the notes to the Notice of Scheme GM in Part X of this document.

5 Share Capital Consolidation

As part of the Proposal, it is intended to implement a share capital consolidation (also known as a reverse stock split) on a one-for-twenty basis. This is being proposed to cause the shares of Signet Jewelers Limited to trade initially on the NYSE at a price more readily comparable to its peers.

The Share Capital Consolidation will be implemented by consolidating Signet Jewelers Limited Shares issued under the Scheme so that Signet Shareholders will receive one Signet Jewelers Limited Share for every twenty Signet Shares they own (directly or indirectly) at 5.00 p.m. (12.00 p.m. New York time), on 10 September 2008. This is referred to in this document as the Share Capital Consolidation. The Share Capital Consolidation will take effect immediately after the Scheme becomes effective, which is expected to occur on 11 September 2008.

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The effect of this consolidation will be to reduce the number of Signet Jewelers Limited Shares in issue, but Signet Shareholders and Signet ADSs holders will own the same proportion of Signet Jewelers Limited as they did of Signet immediately before the Scheme became effective, subject to fractional entitlements.

A fractional entitlement will arise as a result of the Share Capital Consolidation unless a holding of Signet Jewelers Limited Shares is divisible by twenty. For example, a Signet Shareholder holding 50 Signet Jewelers Limited Shares immediately after the Scheme becomes effective would, after the Share Capital Consolidation, be entitled to two Signet Jewelers Limited Shares and a one-half fractional entitlement to a new Signet Jewelers Limited Share. In accordance with Signet Jewelers Limited's Bye-laws, such fractional entitlements will be aggregated, sold in the market and the proceeds will be returned to the relevant Signet Shareholders by cheque to be despatched within 14 days of the Effective Date. You will receive any such cash in respect of entitlements to fractional interests in pounds sterling.

6 The Signet Directors and the effect of the Scheme on their interests

Details of the interests of the Directors (including any interests under the Signet Share Plans) are set out in paragraph 5 of Part VII of this document. Signet Shares held by the Directors will be subject to the Scheme.

The effect of the Scheme on the interests of the Directors and executive officers of Signet does not differ from its effect on the like interests of any other person.

Following the implementation of the Proposal and when reviewing remuneration policy, the Signet Jewelers Limited Remuneration Committee will take into account the remuneration policies of comparator companies and expects to implement remuneration policies more in line with those comparator companies whose shares are listed in the US, although this is not expected to lead to a material change in the target total level of remuneration for executive directors.

7 The Panel and the Takeover Code

7.1 Introduction

As a public limited company registered in England and with its registered office in the UK, Signet is currently subject to the provisions of the Takeover Code. Following the Scheme becoming effective, Signet Shareholders will become shareholders in Signet Jewelers Limited, a company whose registered office is not in the UK. As a result, following the Scheme becoming effective, the Takeover Code will not apply to any offer made to shareholders in Signet Jewelers Limited to acquire their shares.

Signet Shareholders should note that, if the Scheme is implemented, they will not receive the protections afforded by the Takeover Code in the event of an offer to acquire their shares in Signet Jewelers Limited.

Brief details of the Panel, the Takeover Code and the protections given by the Takeover Code are described below.

7.2 The Takeover Code

The Takeover Code is issued and administered by the Panel. The Takeover Code and the Panel operate principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Takeover Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

7.3 The general principles and rules of the Takeover Code

The Takeover Code is based on a number of general principles which are essentially statements of standards of commercial behaviour. These general principles are set out in Part VI of this document and apply to all transactions with which the Takeover Code is concerned. They are expressed in broad terms and the Takeover Code does not define the precise extent of, or the limitations on, their application. They are applied

by the Panel in accordance with their spirit to achieve their underlying purpose.

In addition to the general principles, the Takeover Code contains a series of rules, of which some are effectively expansions of the general principles and examples of their application and others are provisions governing specific aspects of takeover procedure. Although most of the rules are expressed in more detailed language than the general principles, they are not framed in technical language and, like the general principles, are to be interpreted to achieve their underlying purpose. Therefore, their spirit must be observed as well as their letter. The Panel may derogate or grant a waiver to a person from the application of a rule in certain circumstances.

7.4 Giving up the protection of the Takeover Code

A summary of key points regarding the application of the Takeover Code to takeovers generally is set out in Part VI of this document. **You are encouraged to read this information carefully as it outlines certain important protections which you will be giving up if the Scheme is implemented.**

The Signet Jewelers Limited Bye-laws contain provisions relating to takeovers as described in Part III of this document, Takeovers of Public Companies .

8 Listings, dealings, settlement and CREST and Depositary Interests

8.1 Listings

The Signet Jewelers Limited Shares are intended to be listed on the NYSE. The listing of the Signet Jewelers Limited Shares on the NYSE is expected to become effective on the Effective Date and dealings in Signet Jewelers Limited Shares on the NYSE are expected to commence at 2.30 p.m. (9.30 a.m. New York time) on 11 September 2008, being the expected Effective Date. The current listing of Signet ADSs on the NYSE is intended to be cancelled simultaneously with the commencement of dealings of the Signet Jewelers Limited Shares on the NYSE.

The Signet Jewelers Limited Shares are also intended to be listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities (by way of a secondary listing) with effect from 8.00 a.m. on 11 September 2008, being the expected Effective Date. An application will be made and (subject to UK Listing Authority approval) a prospectus will be published in due course in relation to this listing. Signet intends to make an application for the cancellation of the listing of Signet Shares on the Official List and their admission to trading on the London Stock Exchange's main market for listed securities and it is expected that this cancellation will take effect simultaneously with the listing of the Signet Jewelers Limited Shares on the Official List.

The issuance of Signet Jewelers Limited Shares will not be registered under the Securities Act in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof. In reliance on the pre-emption attached to NYSE listing, the issuance of Signet Jewelers Limited Shares will not be registered under the securities laws of any state or other jurisdiction of the United States. From the Effective Date, Signet Jewelers Limited Shares will be freely transferable without restriction under the Securities Act, other than by certain affiliates of Signet Jewelers Limited as described below. An affiliate of, or a person affiliated with, an issuer is defined (under Rule 144 of the Securities Act) to mean a person that, directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the issuer. Persons who are affiliates of Signet Jewelers Limited after the Effective Date will be subject to certain transfer restrictions relating to the Signet Jewelers Limited Shares that they receive under the Scheme. Such Signet Jewelers Limited Shares may not be sold in the United States without registration, except pursuant to the applicable resale conditions of the exemptive safe harbour set forth in Rule 144 under the Securities Act or in a transaction that otherwise is not subject to registration (including but not limited to a transaction that satisfies the applicable requirements for resales outside the United States pursuant to Regulation S under the Securities Act).

A Scheme Shareholder who believes that he or she may be an affiliate of Signet Jewelers Limited after the Effective Date should consult his or her own legal advisers prior to any sales of Signet Jewelers Limited Shares.

For the purpose of qualifying for the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) therein with respect to the Signet Jewelers Limited Shares issued pursuant to the Scheme, Signet will advise the Court that Signet and Signet Jewelers Limited will rely on the section 3(a)(10) exemption based on the Court's sanctioning of the Scheme and will view the Court's sanctioning of the Scheme as an approval of the Scheme following a hearing on its fairness to Signet Shareholders, at which hearing all such Signet Shareholders are entitled to attend in person or by counsel to support or oppose the sanctioning of the Scheme and with respect to which adequate notification has been given to all such Signet Shareholders.

8.2 Dealings

The last day of dealings in, and for registration of transfers of, Signet Shares is expected to be 10 September 2008, being the last business day prior to the expected Effective Date. An application will be made to the London Stock Exchange for Signet Shares to cease to be admitted to trading and to the UK Listing Authority for the listing of Signet Shares to be cancelled, in each case expected to take effect at 8.00 a.m. on 11 September 2008, being the expected Effective Date.

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The listing of Signet ADSs on the NYSE is expected to be cancelled with effect from the start of trading in New York on 11 September 2008, being the expected Effective Date.

However, holders of certificated Signet Shares should note that any dealings in certificated Signet Shares must have completed (i.e. settled) by the Scheme Record Time, which is expected to be 5.00 p.m. on 10 September 2008. If any trades in certificated Signet Shares have not settled by this time, the relevant Signet Shareholder will need to make arrangements with his financial adviser and/or broker to ensure that

the trade is satisfied by the transfer of Signet Jewelers Limited Shares. Capita Registrars have indicated that in order to ensure that trades are completed by this time, they must have received the documents necessary to effect the transfer by no later than 12.00 p.m. on the day of the Scheme Record Time (currently expected to be 5.00 p.m. on 10 September 2008).

If Certificated Holders are in any doubt as to what action they should take, they should seek the advice of their financial adviser and/or broker.

Signet Jewelers Limited is applying to list the Signet Jewelers Limited Shares to be issued under the Scheme on the NYSE. The application is expected to become effective and trading in the Signet Jewelers Limited Shares is expected to commence on the NYSE at 2.30 p.m. (9.30 a.m. New York time) on the Effective Date, which, subject to the approval of the Court, is expected to be 11 September 2008.

Signet Jewelers Limited intends to apply to list the Signet Jewelers Limited Shares to be issued under the Scheme on the Official List by way of a secondary listing which is expected to become effective at 8.00 a.m. on the Effective Date, which, subject to the approval of the Court, is expected to be 11 September 2008.

8.3 Settlement

Subject to the Scheme and the Share Capital Consolidation becoming effective (and except as provided in paragraph 12 of this Part II in relation to certain non-UK/US Signet Shareholders), settlement of the Signet Jewelers Limited Shares to which any Scheme Shareholder is entitled under the Scheme will be effected in the manner set out in this paragraph 8.3.

To give Scheme Shareholders the opportunity to hold and deal in their Signet Jewelers Limited Shares in uncertificated form through CREST, Signet Jewelers Limited has adopted the Depository Interest facility operated by Capita IRG Trustees Limited, acting as the DI Depository and the issuer of the Depository Interests. Further information about the Depository Interest facility is contained in paragraph 8.4 of this Part II below.

(a) Scheme Shares in certificated form

Scheme Shareholders who hold their Scheme Shares in certificated form at the Scheme Record Time and wish to hold their Signet Jewelers Limited Shares in certificated form need take no action (other than voting at the Court Meeting and the Scheme GM). Definitive share certificates in respect of the Signet Jewelers Limited Shares are expected to be despatched within 10 business days after the Effective Date. In the case of joint Scheme Shareholders holding their Scheme Shares in certificated form, certificates will be despatched to the person whose name appears first in Signet's register of members. Pending receipt of certificates, transfers will be certified against Signet Jewelers Limited's register of members. As from the Effective Date, existing certificates representing holdings in certificated form of Signet Shares will cease to be valid for any purpose and Signet Shareholders who hold their Signet Shares in certificated form should, if so requested by Signet Jewelers Limited, send such certificates to Signet Jewelers Limited for cancellation.

(b) Scheme Shares in uncertificated form (that is, in CREST)

Scheme Shareholders who hold their Scheme Shares in a CREST account at the Scheme Record Time and who wish to hold and transfer their interests in Signet Jewelers Limited Shares within CREST need take no action (other than voting at the Court Meeting and the Scheme GM).

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Depository Interests will automatically be credited to the CREST member account of those Scheme Shareholders or their nominee and instructions will be given to cancel such holders' entitlement to their Scheme Shares on or about 11 September 2008, being the expected Effective Date. Pending the crediting of such CREST stock accounts, transfers of Depository Interests and the underlying Signet Jewelers Limited Shares will not be possible. If you wish to withdraw your underlying Signet Jewelers Limited Shares from the Depository Interest arrangements, see paragraph 8.4 of this Part II below.

Signet Jewelers Limited reserves the right to settle all or any part of the Signet Jewelers Limited Shares referred to in this paragraph for all or any Scheme Shareholders in certificated form in the manner referred to in paragraph 8.3(a) above if, for any reason, it wishes to do so.

(c) General

All documents and cheques sent by or to Signet Shareholders, or as such persons shall direct, will be sent at their own risk and will be sent by post either to the holder's address as set out on Signet's register of members at the Scheme Record Time or to such other address of the holder as is notified as a change of address in writing by a Signet Shareholder to Signet prior to the Effective Date and, in the case of joint holders, to the joint holder whose name stands first in such register in respect of the joint holdings concerned.

Signet has confirmed that, except as provided for in the Scheme, settlement of the Signet Jewelers Limited Shares and any other payment which a Signet Shareholder is entitled to receive from Signet or Signet Jewelers Limited will be implemented in full without regard to any lien, right of set-off, counter claim or other analogous right to which Signet or Signet Jewelers Limited may be, or claim to be, entitled against such shareholder.

Signet ADS holders should read paragraph 10 of this Part II, which contains further important information which is relevant to them.

8.4 CREST and Depositary Interests

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. Euroclear UK is unable to take responsibility for the electronic settlement of shares issued by non-UK companies, such as Signet Jewelers Limited. This means that the Signet Jewelers Limited Shares may not themselves be admitted to CREST. However, to enable investors to settle its international securities under the CREST system, Signet Jewelers Limited has arranged for the DI Depositary to issue Depositary Interests in respect of the underlying Signet Jewelers Limited Shares. With effect from the Effective Date, CREST members will be able to hold and transfer interests in Signet Jewelers Limited Shares within CREST, pursuant to these Depositary Interest arrangements. The Signet Jewelers Limited Shares will not themselves be admitted to CREST, rather the DI Depositary will issue Depositary Interests in respect of the underlying Signet Jewelers Limited Shares. In relation to those Scheme Shareholders who wish to hold and transfer interests in Signet Jewelers Limited Shares through CREST, Signet Jewelers Limited's register of members will show the DI Depositary Nominee as the legal holder of the relevant Signet Jewelers Limited Shares who will hold those shares as nominee for the DI Depositary which in turn will hold its interest in the Signet Jewelers Limited Shares on bare trust for the relevant holders. This means that the beneficial interest in the Signet Jewelers Limited Shares will remain with the holder of the Depositary Interests representing the underlying Signet Jewelers Limited Shares, who will receive all the rights attaching to the Signet Jewelers Limited Shares as it would have done if such holder of Depositary Interests had been on Signet Jewelers Limited's register of members itself. A holder of Depositary Interests wishing to withdraw the underlying Signet Jewelers Limited Shares to hold them in certificated form may do so at any time using standard CREST messages. Depositary Interests will be created and issued pursuant to a deed poll executed by the DI Depositary under English law. These Depositary Interests may be held and transferred within the CREST system. Depositary Interests will have the same security code (ISIN) as the underlying Signet Jewelers Limited Shares and will not require a separate admission to the Official List or to trading on the London Stock Exchange's main market for listed securities. If you hold your Signet Shares in uncertificated form as at the Scheme Record Time, your CREST account will automatically be credited with equivalent Depositary Interests on or about the Effective Date.

If you wish to withdraw your underlying Signet Jewelers Limited Shares from the Depositary Interest arrangements and to hold and deal in Signet Jewelers Limited Shares in book entry form in the US, you should contact Capita Registrars (+44 (0) 871 664 0300) who will provide the required form of authorisation and explain the procedure involved.

If you hold your Signet Shares in certificated form and you wish to hold your Signet Jewelers Limited Shares in uncertificated form in CREST, you will need to contact your broker to obtain a CREST Transfer Form. This should be completed and executed by you and returned to your broker as soon as possible and in any event in good time in order to allow the shares to be dematerialised in accordance with Euroclear UK's procedures. In any event, dematerialisation must be completed before the Scheme Record Time.

Scheme Shareholders who hold their Signet Shares in certificated form and wish to hold their Signet Jewelers Limited Shares in uncertificated form, but do not have a broker, will need to contact a bank or broker or other nominated CREST member or will need to become CREST members themselves.

For further information about Depositary Interests or if you have any queries in relation to CREST Transfer Forms, please consult your broker or other professional adviser.

9 Dividends and dividend policy

Following implementation of the Proposal, Signet Jewelers Limited intends to adopt a dividend policy that will continue to take into account the needs of the business including its store development programme, the significant competitive advantages of a strong balance sheet, as well as the wider economic environment. The board of Signet Jewelers Limited will also take account of the payout ratio of US listed speciality retailers, which are typically lower than in the UK. The board of Signet Jewelers Limited may also consider the repurchase of shares from time to time.

Signet currently intends to declare an interim dividend of 0.96 cents per share when it announces its 6 months results to 31 July 2008 on 3 September 2008. It is intended that this interim dividend distribution by Signet will be passed on to shareholders by Signet Jewelers Limited in November 2008. A final dividend will be considered by Signet Jewelers Limited at the time of the full year results for 2008/09 in March 2009. In subsequent years the board of Signet Jewelers Limited intends to declare quarterly dividends.

Unless you request otherwise, you will continue to receive any dividends paid by Signet Jewelers Limited in the same currency as you currently receive dividends paid by Signet. More particularly, all mandates in force at the Effective Date relating to instructions given by Signet Shareholders as to the payment of dividends will, unless revoked, be deemed as from the Effective Date to relate to the corresponding Signet Jewelers Limited Shares. To the extent that Signet Jewelers Limited Shareholders do not have any such mandate in force at the Effective Date (and have not subsequently provided Signet Jewelers Limited with instructions on the payment of dividends), if dividends are declared by Signet Jewelers Limited:

Signet Jewelers Limited Shareholders with an address in the United Kingdom on the register of members of Signet Jewelers Limited on the date the dividend is declared will, unless they elect otherwise, automatically receive their dividend in pounds sterling; and

Signet Jewelers Limited Shareholders with an address outside the United Kingdom on the register of members of Signet Jewelers Limited on the date the dividend is declared will, unless they elect otherwise, automatically receive their dividend in US dollars.

Signet Jewelers Limited Shareholders who wish to change the currency in which they currently receive dividends should contact the Company's registrar, Capita Registrars.

10 Treatment of Signet ADSs

Each Signet ADS currently represents ten Signet Shares. Deutsche Bank Trust Company Americas, as ADS Depositary, is the record holder of the Signet Shares underlying the Signet ADSs. The ADS Depositary, as a Signet Shareholder, under the Scheme will be entitled to:

one Signet Jewelers Limited Share for each Signet Share

held by it at the Scheme Record Time.

After the Share Capital Consolidation as described in paragraph 5 of this Part II, Signet ADS holders, after the satisfaction of certain pre-conditions set forth below, will receive their proportionate entitlement to the Signet Jewelers Limited Shares, in the following proportions:

one Signet Jewelers Limited Share for every two Signet ADSs

as set out in this document and as required by the Deposit Agreement.

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In respect of holders of Signet ADSs who hold Signet ADSs in book entry form, the Signet Jewelers Limited Shares will be credited to them in book entry form either: (i) under the direct registration system in the United States; or (ii) credited to their DTC account held by their broker or custodian.

In respect of Signet ADS holders who hold certificates representing Signet ADSs, as soon as reasonably practicable, and in any event within ten business days after the Effective Date, the Exchange Agent will mail to each such holder a letter of transmittal which such Signet ADS holder must properly complete and deliver to the Exchange Agent along with the relevant holder's certificate representing the Signet ADSs and instructions for effecting surrender of the Signet ADSs.

Until properly surrendered as set out above, each certificate representing a Signet ADS will, after the Effective Date, represent the right to receive, upon proper surrender, Signet Jewelers Limited Shares. Upon receipt of such Signet ADSs, the Exchange Agent will transfer to the former Signet ADS holder one Signet Jewelers Limited Share for every two Signet ADSs cancelled by making a book entry in the direct registration system in the United States.

All documents shall be sent to Signet ADS holders at their own risk and will be sent by post either to the ADS holder's address as set out on the register of Signet ADS holders at the Scheme Record Time or to such other address of the ADS holder as is notified as a change of address in writing by a Signet ADS holder to the ADS Depository prior to the Effective Date and, in the case of joint ADS holders, to the ADS holder whose name stands first in such register in respect of the joint holdings concerned.

It should be noted that Signet ADS holders will not be entitled to attend the Shareholder Meetings. However, Signet ADS holders will be able to have the votes attaching to the underlying Signet Shares which their Signet ADSs represent cast at the Court Meeting and the Scheme GM by proxy through procedures established pursuant to the Deposit Agreement. Signet ADS holders who wish to attend the Shareholder Meetings as Signet Shareholders should take steps to present their Signet ADSs to the ADS Depository for cancellation and delivery of Signet Shares so as to become holders of record of Signet Shares prior to the Voting Record Time. If Signet ADS holders wish to attend the Shareholder Meetings, they must present their Signet ADSs to the ADS Depository for cancellation no later than 5 August 2008, although no guarantee can be given by the ADS Depository that it will be able to procure that the relevant Signet ADS holder becomes a holder of record of Signet Shares in time for the relevant meetings.

Pursuant to the Deposit Agreement, the ADS Depository has fixed the close of business in New York on 17 July 2008 as the ADS Record Date. All Signet ADS holders of record at the ADS Record Date will be sent a notice containing: (i) this document; (ii) a statement that the Signet ADS holders as of the ADS Record Date will be entitled to instruct the ADS Depository as to the exercise of the voting rights pertaining to the number of Signet Shares represented by their respective Signet ADSs; and (iii) a statement that such instructions may be given by returning a properly executed ADS Voting Instruction Card (in the form enclosed with this document) to the ADS Depository. Signet Shares represented by properly executed ADS Voting Instruction Cards received by the ADS Depository before 3.00 p.m. (New York time) on 13 August 2008, unless such ADS Voting Instruction Cards have been revoked, will be voted by the ADS Depository in accordance with the instructions set forth on such ADS Voting Instruction Card. In accordance with the provisions of the Deposit Agreement, if no instructions are indicated, or a Signet ADS holder does not return the ADS Voting Instruction Card, the ADS Depository will not exercise the voting rights pertaining to the Signet Shares represented by their respective Signet ADSs and such Signet Shares will not be counted towards the number of shares considered present at the Shareholder Meetings and will not have an effect on the outcome of the vote.

Any Signet ADS holder giving instructions to the ADS Depository has the power to revoke or modify the instructions by delivery of a revocation or new ADS Voting Instruction Card to the ADS Depository at Deutsche Bank Trust Company Americas, c/o American Stock Transfer & Trust Company, Peck Slip Station, P.O. Box 2050, New York, NY 10272-2050, by no later than 3.00 p.m. (New York time) on 13 August 2008.

In addition, a completed ADS Voting Instruction Card returned by a Signet ADS holder will authorise the disclosure to Signet of the name and address of such Signet ADS holder together with details of the instructions on the ADS Voting Instruction Card.

The ADS Depository is entitled to charge the ADS holders for the cancellation of the Signet ADSs in accordance with the terms of the Deposit Agreement, however, Signet Jewelers Limited has agreed in these circumstances to bear such fee on behalf of the holders.

11 UK/US shareholder taxation

The following are brief and general summaries of the United Kingdom and United States taxation treatment of the Proposal. The summaries are based on existing law, including statutes, regulations, administrative rulings and court decisions, and what is understood to be current HMRC and IRS practice, all as in effect on the date of this document. Future legislative, judicial or administrative changes or interpretations could alter or modify statements and conclusions set forth below, and these changes or interpretations could be retroactive and could affect the tax consequences of the Proposal to Signet Shareholders and Signet ADS holders. The summaries do not consider the consequences of the Proposal under tax laws of countries other than the United Kingdom and the United States (or any US laws other than those pertaining to income tax), nor do the summaries consider any alternative minimum tax or state or local consequences of the Proposal.

The summaries provide general guidance to persons resident, ordinarily resident and domiciled for tax purposes in the UK who hold Signet Shares and/or Signet ADSs (and who also subsequently hold Signet Jewelers Limited Shares) as an investment, and to US holders (as defined below) who hold Signet Shares and/or Signet ADSs (and who also subsequently hold Signet Jewelers Limited Shares) as capital assets (within the meaning of section 1221 of the US Code), and not to any holders who are taxable in the UK on a remittance basis or who are subject to

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special tax rules, such as banks, financial institutions, broker-dealers, persons subject to mark-to-market treatment, UK resident individuals who hold their Signet Shares (or who subsequently hold Signet Jewelers Limited Shares) under a personal equity plan, persons that hold their

Signet Shares and/or Signet ADSs (or who subsequently hold Signet Jewelers Limited Shares) as a position in part of a straddle, conversion transaction, constructive sale or other integrated investment, US holders whose functional currency is not the US dollar, persons who received their Signet Shares and/or Signet ADSs (or who subsequently receive Signet Jewelers Limited Shares) by exercising employee stock options or otherwise as compensation, persons who have acquired their Signet Shares and/or Signet ADSs (or who subsequently acquire Signet Jewelers Limited Shares) by virtue of any office or employment, S corporations or other pass-through entities (or investors in S corporations or other pass-through entities), mutual funds, insurance companies, exempt organisations, US holders subject to the alternative minimum tax, and certain expatriates or former long-term residents of the US.

In addition, this discussion does not address US holders of Signet Shares and/or Signet ADSs who will own five per cent or more of the Signet Jewelers Limited Shares, measured by vote or value, either directly or indirectly through attribution rules, immediately after the Scheme becomes effective, because those shareholders are subject to special US federal income tax rules, would generally be required to enter into a gain recognition agreement with the IRS to avoid current taxation upon receipt of Signet Jewelers Limited Shares under the Scheme, and may be required to recognise taxable gain for US federal income tax purposes in respect of the Scheme in certain circumstances. Each such US holder is urged to consult his tax adviser concerning the decision to file a gain recognition agreement and the procedures to be followed in connection with that filing.

The summaries are not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. If you are in any doubt about your taxation position, or if you are ordinarily resident or domiciled outside the United Kingdom or resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom or the United States, you should consult your own professional advisers immediately.

11.1 Tax residence of Signet Jewelers Limited and withholding tax

Signet Jewelers Limited will be incorporated in Bermuda. The directors of Signet Jewelers Limited intend to conduct Signet Jewelers Limited's affairs such that, based on current law and practice of the relevant tax authorities, Signet Jewelers Limited will not become resident for tax purposes in any other territory. This section 11 is written on the basis that Signet Jewelers Limited does not become resident in a territory other than Bermuda.

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by Signet Jewelers Limited or by Signet Jewelers Limited's shareholders in respect of Signet Jewelers Limited Shares. Signet Jewelers Limited has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 28 March 2016, be applicable to Signet Jewelers Limited or to any of its operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by Signet Jewelers Limited in respect of real property owned or leased by it in Bermuda.

There is no income or other tax of Bermuda imposed by withholding or otherwise on any dividend or other distribution to be paid or made by Signet Jewelers Limited to its shareholders.

11.2 UK taxation of shareholders

- (a) Chargeable gains

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This paragraph 11.2(a) applies to UK resident or UK ordinarily resident Signet Shareholders or Signet Jewelers Limited Shareholders who (in either case) are domiciled in the UK.

(i) Implementation of the Scheme

If a Signet Shareholder does not hold (either alone or together with persons connected with him) more than five per cent of, or of any class of, shares in or debentures of Signet, he will not be treated by virtue of the implementation of the scheme as having made a disposal of his Signet Shares for the purposes of UK taxation of chargeable gains. Instead, the Signet Jewelers Limited Shares should be treated as the same asset as those Signet Shares acquired at the same time and for the same consideration as the Signet Shares.

Any Signet Shareholder who holds (either alone or together with persons connected with him) more than five per cent of, or of any class of, shares in or debentures of Signet is advised that clearance has been granted by HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the Scheme. As a result, any such shareholder should also be treated in the manner described in the preceding paragraph.

(ii) Share Capital Consolidation

For the purposes of UK taxation of chargeable gains, the Share Capital Consolidation will be regarded as a reorganisation of the share capital of Signet Jewelers Limited.

Accordingly, other than in respect of any fractional entitlements referred to below, a Signet Jewelers Limited Shareholder will not be treated for these purposes as making a disposal of all or part of his holding of Signet Jewelers Limited Shares by reason of the Share Capital Consolidation and no liability to UK taxation of chargeable gains should arise in respect of the Share Capital Consolidation. Instead, pre- and post-Share Capital Consolidation Signet Jewelers Limited Shares will be treated as the same asset acquired at the time and for the same consideration as pre-Share Capital Consolidation Signet Jewelers Limited Shares.

Signet Jewelers Limited Shareholders may, depending on their individual circumstances, incur a liability to UK taxation of chargeable gains in respect of any cash received for the sale of any fractional entitlements arising to them as a result of the Share Capital Consolidation. However, Signet Jewelers Limited Shareholders will be treated as making no disposal for the purpose of UK taxation of chargeable gains if the cash payment is small as compared to the value of the Signet Jewelers Limited Shares in respect of which the rights arose. No liability to UK taxation of chargeable gains will then arise as a result of the disposal of the fractional entitlements, but the proceeds will be deducted from the base cost of the Signet Jewelers Limited Shareholder's holding of Signet Jewelers Limited Shares. HMRC interprets small as five per cent or less of the value of the shares in respect of which the rights arose or £3,000 or less, regardless of whether or not it would pass the five per cent test.

(iii) Future disposal of Signet Jewelers Limited Shares

A subsequent disposal of the Signet Jewelers Limited Shares may, depending on individual circumstances (including the availability of exemptions or allowable losses), give rise to a liability to (or an allowable loss for the purposes of) UK taxation of chargeable gains.

Any chargeable gain or allowable loss on a disposal of the Signet Jewelers Limited Shares should be calculated taking into account the allowable cost to the holder of acquiring his Signet Shares. In the case of corporate Signet Jewelers Limited Shareholders, to this should be added, when calculating a chargeable gain but not an allowable loss, indexation allowance on the allowable cost. Non-corporate Signet Jewelers Limited Shareholders should note that, under the UK Finance Act 2008, non-corporates are not entitled to indexation allowance or taper relief in respect of disposals occurring on or after 6 April 2008. The UK Finance Act 2008 also introduces a single capital gains tax rate of 18 per cent for non-corporate shareholders in respect of any chargeable gain arising on disposals on or after 6 April 2008. These changes do not affect shareholders within the charge to UK corporation tax on chargeable gains.

Individuals who currently hold their Signet Shares within an ISA and are entitled to ISA-related tax reliefs in respect of the same will generally not be subject to UK taxation of chargeable gains in respect of any gain arising on a disposal of Signet Jewelers Limited Shares provided that the relevant gain arises on a disposal of Signet Jewelers Limited Shares which are held within an ISA on the same basis as those Signet Shares currently held in an ISA.

(b) Taxation of dividends on Signet Jewelers Limited Shares

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A UK resident Signet Jewelers Limited Shareholder or a holder of Signet Jewelers Limited Shares who carries on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a company, a permanent establishment in connection with which the Signet Jewelers Limited Shares are held will generally, depending upon the holder's particular circumstances, be subject to UK income tax or corporation tax (as the case may be), on any dividends paid by Signet Jewelers Limited on the Signet Jewelers Limited Shares.

Shareholders within the charge to corporation tax will be liable to tax on the dividend income (up to the maximum rate of 28 per cent for 2008-2009). The UK government is however currently considering the tax treatment of portfolio dividends received by UK tax resident companies with a view to achieving parity of treatment between UK and foreign portfolio dividends.

A UK resident individual Signet Jewelers Limited Shareholder who is liable to UK income tax at no more than the basic rate will be liable to income tax on the dividend income at the dividend ordinary rate (which should be 10 per cent in 2008-2009). A UK resident individual Signet Jewelers Limited Shareholder who is liable to UK income tax at the higher rate will be subject to income tax on the dividend income at the dividend upper rate (which should be 32.5 per cent in 2008-2009). However, under the UK Finance Act 2008, with effect from the current year (2008-2009), individuals in receipt of dividends from Signet Jewelers Limited, if they own less than a 10 per cent shareholding in Signet Jewelers Limited, will be entitled to the same non-payable dividend tax credit as individuals in receipt of UK dividends (currently at the rate of 1/9th of the cash dividend paid (or 10 per cent of the aggregate of the net dividend and related tax credit)). Assuming that there is no withholding tax imposed on the dividend (as to which see further paragraph 11.1 above), the individual is treated as receiving for UK tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income. The result is that a UK resident individual Signet Jewelers Limited Shareholder who is liable to UK income tax at no more than the basic rate will have no further UK income tax to pay on a Signet Jewelers Limited dividend. A UK resident individual Signet Jewelers Limited Shareholder who is liable to UK income tax at the higher rate will have further UK income tax to pay of 22.5 per cent of the dividend plus the related tax credit (or 25 per cent of the cash dividend, assuming that there is no withholding tax imposed on that dividend). For example, a dividend of £80 (without any withholding tax imposed) will carry a tax credit of £8.89. The income tax payable by a higher rate taxpayer would be 32.5 per cent of £88.89, namely £28.89, less the tax credit of £8.89, leaving a net tax liability of £20.

The UK Government has announced proposals (which are intended to take effect from April 2009) to extend the availability of the tax credits to individuals who own 10 per cent or more of the issued share capital in distributing non-UK companies. The availability of this tax credit will be subject to the company paying the dividend satisfying certain conditions and it is possible that Signet Jewelers Limited will fail to meet those conditions.

Individual Signet Jewelers Limited Shareholders who hold their Signet Jewelers Limited Shares in an ISA and are entitled to ISA-related tax reliefs in respect of the same will not be taxed on the dividends from those Signet Jewelers Limited Shares but are not entitled to recover from HMRC the tax credit on such dividends.

(c) Stamp duty and SDRT

(i) The Scheme and the Share Capital Consolidation

No ad valorem United Kingdom stamp duty or SDRT will be payable by Signet Shareholders or by Signet ADS holders as a result of the Scheme or the Share Capital Consolidation.

(ii) Transfers of Signet Jewelers Limited Shares

In practice, stamp duty should generally not need to be paid on an instrument transferring Signet Jewelers Limited Shares. No SDRT will generally be payable in respect of any agreement to transfer Signet Jewelers Limited Shares or Depositary Interests. The statements in this paragraph summarise the current position on stamp duty and SDRT and are intended as a general guide only. They assume that Signet Jewelers Limited will not be UK managed and controlled and that the Signet Jewelers Limited Shares will not be registered in a register kept in the UK by or on behalf of Signet Jewelers Limited. Signet Jewelers Limited has confirmed that it does not intend to keep such a register in the UK.

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(d) Transactions in securities

Signet Shareholders should note that a clearance has been granted by HMRC under section 707 of the Income and Corporation Taxes Act 1988 and section 701 of the Income Tax Act 2007 that Signet Shareholders and Signet ADS holders should not suffer a counter-acting tax assessment under the transaction in securities rules in sections 703 et seq. of the Income and Corporation Taxes Act 1988 and sections 682 et seq. of the Income Tax Act 2007 (as the case may be) by reference to the Scheme.

11.3 US taxation of shareholders

As used in this discussion, the term "US holder" means a beneficial owner of Signet Shares, Signet ADSs and/or Signet Jewelers Limited Shares who is for US federal income tax purposes: (i) an individual US citizen or resident; (ii) a corporation, or entity treated as a corporation, created or organized in or under the laws of the United States; (iii) an estate the income of which is subject to US federal income taxation regardless of its source; or (iv) a trust if either: (a) a court within the US is able to exercise primary supervision over the administration of such trust and one or more US persons have the authority to control all substantial decisions of such trust; or (b) the trust has a valid election in effect to be treated as a US resident for US federal income tax purposes.

If a partnership (or other entity classified as a partnership for US federal tax income purposes) holds Signet Shares, Signet ADSs or Signet Jewelers Limited Shares, the US federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partnerships, and partners in partnerships, holding Signet Shares, Signet ADSs or Signet Jewelers Limited Shares are encouraged to consult their tax advisers.

INTERNAL REVENUE SERVICE CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DOCUMENT IS NOT INTENDED TO BE USED, AND CANNOT BE USED, BY HOLDERS FOR THE PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

- (a) Certain US federal income tax consequences of the Proposal generally

If you are a US holder of Signet Shares and/or Signet ADSs, you generally should not recognize any taxable gain or loss for US federal income tax purposes upon your receipt of Signet Jewelers Limited Shares under the Proposal. Different rules, however, apply to any cash received in lieu of fractional interests in Signet Jewelers Limited Shares, as discussed further below.

The aggregate tax basis of the Signet Jewelers Limited Shares received by you under the Proposal, including any fractional interests in Signet Jewelers Limited Shares to which you would be entitled but for the special treatment of fractional interests described below, will equal the aggregate tax basis of the Signet Shares and/or Signet ADSs exchanged for Signet Jewelers Limited Shares. The holding period of the Signet Jewelers Limited Shares received will include the holding period of the Signet Shares and/or Signet ADSs exchanged therefor.

- (b) Cash received instead of a fractional interest in Signet Jewelers Limited Shares

Fractional interests in Signet Jewelers Limited Shares will not be issued to former holders of Signet Shares under the Proposal. Instead, any fractional share interests that such holders otherwise would have been entitled to receive will be aggregated and sold in the market and the

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proceeds will be paid to those shareholders. If you receive cash in respect of a fractional interest in a Signet Jewelers Limited Share, you generally will recognise a taxable gain or loss equal to the difference between the amount of cash received for the fractional share interest and your tax basis in the Signet Shares exchanged which is allocable to the fractional share interest. Any such gain or loss generally will be capital gain or loss, and generally will be long-term capital gain or loss with respect to Signet Shares held for more than one year at the effective time of the Scheme.

(c) Certain US federal income tax consequences of holding Signet Jewelers Limited Shares

Distributions made with respect to Signet Jewelers Limited Shares will generally be includable in the income of a US holder as ordinary dividend income, to the extent paid out of current or accumulated earnings and profits of Signet Jewelers Limited as determined in accordance with US federal income tax principles. The amount of such dividends will generally be treated as foreign-source dividend income, or, if 50 per cent or more of Signet Jewelers Limited Shares are directly or indirectly owned by US persons, which could be more likely as a result of the change in the parent company of the Signet Group's primary listing, partly as US-source and partly as foreign-source dividend income in proportion to the earnings from which they are considered paid. Dividend income received from Signet

Jewelers Limited will not be eligible for the dividends received deduction generally allowed to US corporations under the US Code. Subject to applicable limitations, including a requirement that the Signet Jewelers Limited Shares be listed for trading on the NYSE, the NASDAQ Stock Market, or another qualifying US exchange, dividends with respect to Signet Jewelers Limited Shares so listed that are paid to non-corporate US holders in taxable years beginning before 1 January 2011 will generally be taxable at a maximum tax rate of 15 per cent.

Gain or loss realised by a US holder on the sale or exchange of Signet Jewelers Limited Shares generally will be subject to US federal income tax as capital gain or loss in an amount equal to the difference between the US holder's tax basis in the Signet Jewelers Limited Shares and the amount realised on the disposition. Such gain or loss will be long-term capital gain or loss if the US holder held the Signet Jewelers Limited Shares for more than one year. Gain or loss, if any, will generally be US source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

(d) Information reporting and backup withholding

Cash payments received in the transaction by a US holder (as well as future payments of dividends on, and the proceeds from a sale or other disposition of, Signet Jewelers Limited Shares) may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 28 per cent of the cash payable to the holder, unless the holder provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a US holder under the backup withholding rules are not additional tax and should be allowed as a refund or credit against the US holder's US federal income tax liability, provided the required information is timely furnished to the IRS.

(e) Passive foreign investment company status

A non-US corporation will be classified as a passive foreign investment company (a **PFIC**) for any taxable year if at least 75 per cent of its gross income consists of passive income (such as dividends, interest, rents, royalties or gains on the disposition of certain minority interests), or at least 50 per cent of the average value of its assets consists of assets that produce, or are held for the production of, passive income. If either Signet or Signet Jewelers Limited were characterised as a PFIC, US holders would suffer adverse tax consequences, and US federal income tax consequences different from those described above may apply. These consequences may include having gains realised on the disposition of Signet Shares and/or Signet Jewelers Limited Shares treated as ordinary income rather than capital gain and being subject to punitive interest charges on certain distributions and on the proceeds of the sale or other disposition of Signet Shares and/or Signet Jewelers Limited Shares. Signet believes that it is not a PFIC, and that neither Signet nor Signet Jewelers Limited will be a PFIC for the foreseeable future. However, since the tests for PFIC status depend upon facts not entirely within a company's control, such as the amounts and types of its income and values of its assets, no assurance can be provided that either Signet or Signet Jewelers Limited will not become a PFIC. US holders should consult their own tax advisers regarding the potential application of the PFIC rules to their acquisition of Signet Jewelers Limited Shares pursuant to the Scheme and their ownership of Signet Jewelers Limited Shares acquired in connection with the Scheme.

12 Non UK/US Signet Shareholders

As regards Overseas Shareholders, the Proposal, including the Scheme and Share Capital Consolidation, may be affected by the laws of the relevant jurisdictions. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of Overseas Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

In any case, if, in respect of an Overseas Shareholder (or a person whom the Company or Signet Jewelers Limited reasonably believes to be an Overseas Shareholder), the Company or Signet Jewelers Limited is advised that the issue of Signet Jewelers Limited Shares would or might infringe the laws of any jurisdiction outside the United Kingdom or the United States or would or might necessitate compliance with any special

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requirement with which the Company or Signet Jewelers Limited is unable to comply or which it regards as unduly onerous, clause 3 of the Scheme provides that the Company or Signet Jewelers Limited shall (unless the relevant shareholder satisfies the Company or Signet Jewelers Limited that no such infringement or requirement would apply) be authorised by the Articles to appoint any person to execute as transferor an instrument of transfer transferring, prior to the Scheme Record Time, the Scheme Shares held by such

shareholder to a nominee to hold such Scheme Shares on trust for that holder, on terms that such nominee shall sell the Signet Jewelers Limited Shares, if any, that it receives pursuant to the Scheme in respect of such Scheme Shares as soon as practicable following the Effective Date. Any such sale of Signet Jewelers Limited Shares under clause 3 of the Scheme will be carried out at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale of Signet Jewelers Limited Shares (after the deduction of all expenses and commissions incurred in connection with such sale, including value added tax, if any) shall be paid to the persons who would, but for clause 3 of the Scheme, have been entitled to receive such Signet Jewelers Limited Shares in accordance with the Scheme.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY ANY SECURITY. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme.

Notice to persons resident in, or citizens or nationals of, or who have a registered address in New Zealand

It is the intention of the Company that any Scheme Shares whose holders are resident in, or citizens or nationals of, or who have a registered address in, New Zealand will be dealt with in accordance with clause 3 of the Scheme. Accordingly, such persons will not receive any Signet Jewelers Limited Shares and instead will receive the cash proceeds of the sale of the Signet Jewelers Limited Shares to which they would have otherwise been entitled.

Notice to persons resident in, or citizens or nationals of, or who have a registered address in Australia

This document has not been and will not be lodged with the Australian Securities and Investments Commission as a disclosure document under Chapter 6D of the Australian Corporations Act in Australia. Signet does not assume any liability in respect of the requirements of the Australian Corporations Act as to the content of disclosure documents.

The information in this document is general information and is not financial product advice for the purposes of Chapter 7 of the Australian Corporations Act and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. If you have any questions you should consult your legal, investment or other professional adviser.

Notice to persons resident in, or citizens or nationals of, or who have a registered address in Canada

By its receipt of this document, each Canadian investor confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) to be drawn up in the English language only.

The wording in the paragraph immediately below is a French translation of the wording in the paragraph immediately above.

Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Notice to persons resident in, or citizens or nationals of, or who have a registered address in France

Signet Jewelers Limited Shares will not be offered or sold, and copies of this document will not be distributed or caused to be distributed, directly or indirectly, in France except to corporate entities having the status of qualified investors (investisseur qualifié) and/or to a restricted circle of investors (cercle restreint d'investisseurs) all as defined in and in accordance with article L. 411-2 of the French Monetary and Financial Code, in each case acting for their own account, or otherwise in circumstances which have not resulted and will not result in a public offering (appel public à l'épargne) in France as defined in article L. 411-1 of the French Monetary and Financial Code.

As required by article 211-4 of the General Regulations of the Autorité des Marchés Financiers, such qualified investors and restricted circle of investors are informed that: (i) no prospectus or other offering documents in relation to the Scheme have been lodged or registered with the Autorité des Marchés Financiers; (ii) they must

participate in the offering on their own account, in the conditions set out in articles D. 411-1, D. 411-2, D.734-1, D. 744-1, D. 754-1 and D.764-1 of the French Monetary and Financial Code; and (iii) the direct or indirect offer or sale, to the public in France, of the shares can only be made in accordance with articles L. 411-1, L.411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Monetary and Financial Code.

This document does not constitute and may not be used for or in connection with either an offer to any person to whom it is unlawful to make such an offer or a solicitation (*démarchage*) by anyone not authorised so to act in accordance with articles L. 341-3, L. 341-4 and L. 341-7 of the French Monetary and Financial Code. Accordingly, no shares will be offered, under any circumstances, directly or indirectly, to the public in France.

13 Signet Share Plans

Signet currently operates three share option plans (the Signet UK Inland Revenue Approved Share Option Plan 2003, the Signet International Share Option Plan 2003 and the Signet US Share Option Plan 2003), two sharesave schemes (for UK and Irish resident employees), a Signet Employee Stock Savings Plan under section 423 of the US Code (**US Plan**) and the Signet 2005 Long-Term Incentive Plan for senior executives.

As a result of the Scheme, there will be no further awards granted under the Signet Share Plans and all outstanding awards may be replaced by equivalent awards over Signet Jewelers Limited Shares or, where the rules so provide, exercised.

(a) Share option plans

There are awards outstanding over approximately 64,078,338 Signet Shares under the three current share option plans and a previous plan which is no longer operated, the 1993 Executive Share Option Scheme, and under share options granted pursuant to the vesting of long term incentive awards under a plan which has terminated. Of these, options over 449,743 Signet Shares are granted at prices below £0.52 (the Signet share price at close of business on 20 July 2008, being the last practicable date before the publication of this document) and so as at that date appear capable of exercise at a gain. Options granted prior to 2003 may be exercised as of right upon sanction of the Scheme and later options only if the Remuneration Committee allows. The holders of all options will be offered the opportunity to replace their existing options with options over Signet Jewelers Limited Shares of equivalent value and on identical terms (but fractional entitlements arising from the adjustment to reflect the Share Capital Consolidation will be ignored).

(b) Sharesave schemes

There are options outstanding over approximately 4,243,918 Signet Shares under the two sharesave schemes. All options are granted at prices of at least £0.752 and it therefore appears unlikely that any options will be exercised upon the Court sanction of the Scheme as provided under the rules. However, the holders of all options will be offered the opportunity to replace their existing options with options over Signet Jewelers Limited Shares of equivalent value and on identical terms (but fractional entitlements arising from the adjustment to reflect the Share Capital Consolidation will be ignored).

(c) US Plan

It is estimated that on the basis of the savings made under the US Plan as at 20 July 2008, approximately 1,866,140 Signet Shares could potentially be purchased to date. The US Plan has been altered so that upon the Court sanctioned Scheme becoming effective options will be

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adjusted so that they subsist over an identical number of Signet Jewelers Limited Shares to the number of Signet Shares over which they currently subsist. Therefore, participants will continue to save in order to acquire Signet Jewelers Limited Shares at the normal expiry of the savings contract at the same price per share as at present subject to an adjustment for the Share Capital Consolidation.

(d) 2005 Long-Term Incentive Plan

There are potential awards over approximately 5,250,777 Signet Shares under the Signet 2005 Long-Term Incentive Plan. None of these shares may be released upon the Court sanction of the Scheme. Under the rules of the Signet 2005 Long-Term Incentive Plan, the Remuneration Committee intends to exercise its discretion to allow the holders of awards a right to replace their existing awards with awards over Signet Jewelers Limited Shares of equivalent value (but fractional entitlements arising from the adjustment to reflect the Share Capital Consolidation will be ignored) and prevent any early vesting of awards as a result of the Court sanction of the Scheme.

14 Adoption of new Signet Jewelers Limited Share Plans

Signet Jewelers Limited has established new employee share plans substantially similar to the existing Signet Share Plans for continuing use after completion of the Proposal. These replacement plans will provide for the use of Signet Jewelers Limited Shares instead of Signet Shares but otherwise will be in substantially similar form to the existing Signet Share Plans, subject to some updating to bring the schemes in line with current practice.

These plans have been established by the Signet Jewelers Limited directors but will not be operated without approval in principle by Signet Shareholders at the Scheme GM. A resolution will therefore be put to Signet Shareholders at the Scheme GM approving in principle the operation of the Signet Jewelers Limited Share Plans.

The Signet Jewelers Limited Remuneration Committee will review the replacement plans during the next year or so following the Effective Date with a view to bringing forward any appropriate new plans, or proposals for changes to the new Signet Jewelers Limited Share Plans. This review will particularly take into account the redomicile and listing of Signet Jewelers Limited on the NYSE and the increasing involvement of the Signet Group in the US.

A summary of the principal features of the new plans is set out below.

(a) Signet Jewelers Limited Long Term Incentive Plan 2008

The Signet Jewelers Limited Long Term Incentive Plan 2008 is constituted under rules which provide for the making of awards of Signet Jewelers Limited Shares each year by the Signet Jewelers Limited Remuneration Committee. Any awards will normally vest on the third anniversary of award provided the participant remains in employment and any performance conditions which may be set are first satisfied. The intention is to make the initial Signet Jewelers Limited Long Term Incentive Plan 2008 awards to the executive directors, senior management and other senior executives (approximately 22 individuals) in April 2009.

(i) Eligibility

Any employee (including an executive director) of the Signet Group will be eligible to participate at the discretion of the Signet Jewelers Limited Remuneration Committee.

(ii) Limit on awards

The maximum award which may be made to any participant in any financial year will be limited to such number of shares as have an aggregate market value not exceeding 160 per cent of the participant's base salary.

(iii) Grant of awards

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Awards will be made within the period of 42 days of Signet Jewelers Limited's announcement of its results for any period. Awards may also be made at other times in exceptional circumstances. Awards will be subject to a performance target which will normally be tested at the end of a fixed period of at least 3 years. To the extent any performance targets which may be set are satisfied the participant will receive a combination of the grant of an option over shares in Signet Jewelers Limited and cash, on the basis of a mix of 50 per cent cash and 50 per cent share options.

(iv) Performance conditions

The plan allows for the Signet Jewelers Limited Remuneration Committee to set any performance conditions which it considers appropriate to support the achievement of Signet Jewelers Limited's business objectives. Any performance targets which may be set may be discussed with key shareholders as appropriate.

(v) Leaving employment

The Signet Jewelers Limited Long Term Incentive Plan 2008 allows only a time pro-rated release of an amount, whether in the form of the grant of an option over shares or cash, where a participant leaves early for a good leaver reason. Performance conditions will apply on a pro-rata basis where a participant leaves early.

(vi) Corporate events

Awards will vest in the event of a takeover, amalgamation, court sanctioned compromise or arrangement resulting in a change of control of Signet Jewelers Limited or winding-up of Signet Jewelers Limited (other than an internal reorganisation) but only to the extent that the Signet Jewelers Limited Remuneration Committee determines that the performance conditions have been satisfied to the date of the relevant event. The number of shares which may be transferred on a corporate event will (unless the Signet Jewelers Limited Remuneration Committee decides otherwise) be further reduced on a time pro-rated basis to reflect the period of time that has elapsed between the start of the performance period and the date of the relevant event.

(b) Signet Jewelers Limited UK and Irish sharesave plans

The Signet Jewelers Limited Sharesave Plan 2008 for UK employees will be submitted for approval by HMRC and the Signet Jewelers Limited Irish Sharesave Plan 2008 for Irish resident employees may be submitted for approval by the Office of Revenue Commissioners in Dublin. The plans are constituted by rules which provide for the grant of options over Signet Jewelers Limited Shares to be purchased out of the proceeds of a linked SAYE savings account with a recognised savings provider.

(i) Eligibility

All employees (including executive directors) of the Signet Group who have worked for a qualifying period determined by the board of directors of Signet Jewelers Limited (but not to exceed five years) will be eligible to participate in the Signet Jewelers Limited sharesave plans.

(ii) Grant price

Options may be granted at an exercise price which is not less than 80 per cent of the middle market quotation of Signet Jewelers Limited Shares on the NYSE or London Stock Exchange dealing days (or average of the three dealing days) immediately prior to the day invitations are sent out.

(iii) Individual limits

Options may be granted over shares on the basis of savings of up to the statutory limit which in the UK is £250 a month and in the Republic of Ireland is 500 a month, usually for a period of 3 or 5 years.

(iv) Grant period

Invitations for the grant of options will normally only be issued within the 42 day period following Signet Jewelers Limited's announcement of results for any period, or there being exceptional circumstances which justify the grant of options at that time. Options will normally be granted within the period of 30 days following the earliest dealing day by reference to which the exercise price of an option was fixed.

(v) Leaving employment

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Normally, options lapse on leaving employment. However, if a participant ceases employment with any company in the Signet Group by reason of death, injury or disability, redundancy, retirement or on the sale of the employing company or business out of the Signet Group, options may be exercised during a six-month period following the cessation of employment. Exercise is also allowed where the participant leaves employment for any other reason, provided that the option has been held for at least three years. If any option is exercised early, the participant may only exercise to the extent of his or her accumulated savings under the savings contract (together with any interest due).

(vi) Corporate events

Options may be exercised in the event of a takeover, amalgamation, scheme of arrangement or winding-up of Signet Jewelers Limited, to the extent of the accumulated savings under the participant's savings arrangements (together with any interest due). In the event of another company acquiring control of Signet Jewelers Limited, participants may be allowed to exchange their options for options over shares in the acquiring company and, if the transaction is an internal reorganisation, participants may only have an opportunity to exchange their options.

(c) Signet Jewelers Limited US Employee Stock Savings Plan 2008

Signet Jewelers Limited has established a US Employee Stock Savings Plan which will be submitted for approval by the Subscriber as the sole shareholder and which is intended to provide for US resident employees a similar savings plan to acquire Signet Jewelers Limited Shares as the sharesave plans provide for UK and Irish employees. The main difference to the sharesave plans is that the options are granted at 85 per cent of the fair market value of the shares at the date of grant and that the savings period is for only 27 months.

(d) Signet Jewelers Limited share option plans

Signet Jewelers Limited has established three share option plans: the Signet Jewelers Limited International Share Option Plan 2008, the Signet Jewelers Limited US Stock Option Plan 2008 (which will be submitted for approval by the Subscriber as the sole shareholder) and the Signet Jewelers Limited UK Approved Share Option Plan 2008.

(i) Eligibility

Any employee (including an executive director) of the Signet Group will be eligible to participate at the discretion of the Signet Jewelers Limited Remuneration Committee.

(ii) Limit on awards

The maximum number of shares over which options may be granted to any participant in any financial year will be limited to such number of shares as have an aggregate market value four times the participant's base salary.

(iii) Grant price

Options may be granted at an exercise price which is not less than the middle market quotation of Signet Jewelers Limited Shares on the NYSE or London Stock Exchange dealing days (or average over the three dealing days) immediately prior to the date of grant.

(iv) Performance conditions

The plan allows for the Signet Jewelers Limited Remuneration Committee to set any performance conditions which it considers appropriate to support the achievement of Signet Jewelers Limited's business objectives. Any performance targets which may be set may be discussed with key shareholders as appropriate.

(v) Grant period

Invitations for the grant of options will normally only be issued within the 42 day period following Signet Jewelers Limited's announcement of results for any period, or there being exceptional circumstances which justify the grant of options at that time.

(vi) Leaving employment

Normally, options lapse on leaving employment. However, if a participant ceases employment with any company in the Signet Group by reason of death, injury or disability, redundancy, retirement or on the sale of their employing company or business out of the Signet Group, options may be exercised during a six-month period following the cessation of employment. Exercise is also allowed where the participant leaves employment for any other reason, provided that the option has been held for at least three years.

(vii) Corporate events

Options may be exercised in the event of a takeover, amalgamation, scheme of arrangement or winding-up of Signet Jewelers Limited, to the extent of the accumulated savings under the participant's savings arrangements (together with any interest due). In the event of another company acquiring control of Signet Jewelers Limited, participants may be allowed to exchange their options for options over shares in the acquiring company and, if the transaction is an internal reorganisation, participants may only have an opportunity to exchange their options.

(e) Provisions relating to all the Signet Jewelers Limited Share Plans

(i) Relevant shares

All awards and options under the Signet Jewelers Limited Share Plans will be over Signet Jewelers Limited Shares which may be new issue, treasury shares or purchased by trustees in the market.

(ii) Non-executive directors

Non-executive directors are ineligible to participate in any of the Signet Jewelers Limited Share Plans.

(iii) Non-pensionable benefits

All of the benefits under the Signet Jewelers Limited Share Plans are non-pensionable.

(iv) Non-transferability

Options and awards will not be transferable (other than to the participant's personal representatives in the event of his or her death).

(v) Rights attaching to shares

Signet Jewelers Limited common shares to be issued and allotted under the Signet Jewelers Limited Share Plans will rank equally with all other Signet Jewelers Limited Shares then in issue, but will not qualify for dividends or other rights arising by reference to a prior record date.

(vi) Variations of share capital

The number and price of options may be adjusted in the event of any variation of share capital.

(vii) Alterations to the schemes

The board of directors of Signet Jewelers Limited may amend the Signet Jewelers Limited Share Plans provided that the prior approval of shareholders is obtained for any amendments to the advantage of participants in respect of eligibility, the limits on participation, the overall limits on the issue of Signet Jewelers Limited Shares, or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, Signet Jewelers Limited Shares or cash provided under the Signet Jewelers Limited Share Plans and the adjustment of awards or options. However, shareholders' approval will not be required for only minor administrative changes or any alteration to take account of any change in legislation or any alteration required to obtain or maintain favourable tax, exchange control or regulatory treatment.

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(viii) Limits on the issue of shares

In any ten year period Signet Jewelers Limited may not issue under the Signet Jewelers Limited Share Plans and any other employee share plan adopted by Signet Jewelers Limited, Signet Jewelers Limited common shares equal to more than 10 per cent of the issued common share capital of Signet Jewelers Limited. In addition, Signet Jewelers Limited may not issue under the Signet Jewelers Limited Long Term Incentive Plan 2008 and any other discretionary employee share plan adopted by Signet Jewelers Limited, Signet Jewelers Limited common shares equal to more than five per cent of the issued common share capital of Signet Jewelers Limited. Treasury shares will count as new issue shares for the purposes of these limits for so long as institutional investor guidelines prescribe that they need to be so counted.

(ix) Extension of the schemes overseas

The terms of each of the Signet Jewelers Limited Share Plans provide the board of directors of Signet Jewelers Limited with the power to extend the plans to countries outside the US or the UK taking account of local tax, exchange control, or securities laws in the relevant jurisdictions. Awards under any such arrangements for overseas employees will count against the limits on the issue of Signet Jewelers Limited Shares under the Signet Jewelers Limited Share Plans and will not provide participants with benefits greater than those provided under those schemes.

(x) Termination

None of the Signet Jewelers Limited Share Plans will be operated more than ten years after adoption without the approval of the Signet Jewelers Limited Shareholders, and the Signet Jewelers Limited Remuneration Committee or the board of Signet Jewelers Limited, as appropriate, will regularly review the operation of the Signet Jewelers Limited Share Plans.

15 Action to be taken

Implementation of the Scheme will require the approval of Scheme Shareholders at the Court Meeting which has been convened by order of the Court and which is to be held at Café Royal, 68 Regent Street, London W1B 5EL at 11.30 a.m. on 19 August 2008. The Scheme will also require the approval of Signet Shareholders at the Scheme GM to be held at Café Royal, 68 Regent Street, London W1B 5EL at 11.45 a.m. on the same day (or as soon thereafter as the Court Meeting shall have concluded or been adjourned). **If the Scheme becomes effective, it will be binding on all Scheme Shareholders, including any Scheme Shareholders who did not vote to approve the Scheme or who voted against the Scheme.**

Signet Shareholders will find enclosed different coloured forms of proxy to be used in connection with the Court Meeting and the Scheme GM (as detailed on page 4 of this document under the heading 'Enclosures'). **Whether or not Signet Shareholders intend to attend these meetings, they are requested to complete and sign each form of proxy enclosed with this document and return them in accordance with the instructions printed thereon to Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible and in any event at least 48 hours prior to the relevant meeting.** If the BLUE forms of proxy relating to the Court Meeting are not lodged by then, they may be handed to the chairman of the Court Meeting before the start of that meeting. However, in the case of the Scheme GM, unless the WHITE form of proxy is lodged so as to be received by the time mentioned in the instructions on that form of proxy, it will be invalid.

The completion and return of the BLUE form of proxy for the Court Meeting will not preclude Signet Shareholders from attending the Court Meeting and voting in person, if they so wish. The completion and return of the WHITE form of proxy will not preclude Signet Shareholders from attending the Scheme GM and voting in person, if they so wish.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of Signet Shareholder opinion. You are therefore strongly urged to sign and return both forms of proxy as soon as possible.

Signet ADS holders should read paragraph 10 of this Part II, which contains further important information which is relevant to them. Signet ADS holders are strongly urged to sign and return the ADS Voting Instruction Card as soon as possible.

Participants in Signet Share Plans should read paragraphs 13 and 14 of this Part II, which contains further important information which is relevant to them.

If you are in any doubt as to the action to be taken, please contact one of the helplines shown below.

For Signet Shareholders:

For callers dialling from within the UK, the helpline number is 0871 664 0440.

For callers dialling from outside the UK, the helpline number is +44 20 8639 3443.

Calls to the Capita Registrars 0871 664 0440 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registrars +44 20 8639 3443 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the Proposal nor give any financial, legal or tax advice.

For Signet ADS Holders:

For callers dialling from within the US, the toll free helpline number is (866) 249-2593.

For callers dialling from outside the US, the toll collect helpline number is + 1 (718) 921-8137.

16 Further information

The text of the Scheme is set out in full in Part V of this document. Details of documents available for inspection are given in paragraph 10 of Part VII of this document.

Yours faithfully,

William Rucker / Paul Gismondi
Managing Directors
Lazard & Co., Limited

PART III

CHANGES IN THE RIGHTS OF SIGNET SHAREHOLDERS AND LEGAL CONSEQUENCES

As a result of the Scheme, Signet Shareholders and Signet ADS holders will be entitled to receive Signet Jewelers Limited Shares. Signet Jewelers Limited is incorporated under the laws of Bermuda and Signet is incorporated under the laws of England and Wales. The following is a summary comparison of material differences between the rights of a Signet Jewelers Limited Shareholder and a Signet Shareholder arising from the differences between the corporate laws of Bermuda and those of England and Wales, the governing instruments of the two companies, and the securities laws and regulations governing Signet and, upon completion of the Scheme, governing Signet Jewelers Limited. The summary of Signet Jewelers Limited's governing instruments is of those instruments as they are expected to be adopted on the Court making the Scheme Court Order. This summary is not a complete description of the laws of Bermuda or of England and Wales, the other rules or laws referred to in this summary, the Signet Jewelers Limited memorandum of association, the Signet Jewelers Limited Bye-laws or the Signet memorandum of association and the Articles of Association. As at the date of this document, Signet qualifies as a foreign private issuer under the SEC's rules. If, at some future date, Signet Jewelers Limited no longer satisfies this definition, which could be more likely to occur as a result of a primary listing on the NYSE (but could also arise with respect to Signet if the Proposal is not effected), Signet Jewelers Limited would become subject to additional US reporting, disclosure and corporate governance requirements. See Will US regulation of Signet Jewelers Limited be the same as for Signet? in question 30 of the Questions and Answers about the Proposal section of this document on page 17.

Copies of the Signet Jewelers Limited memorandum of association and Signet Jewelers Limited Bye-laws in the forms to be effective immediately following the Scheme becoming effective are available for inspection at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS and will be available at Café Royal, 68 Regent Street, London W1B 5EL from at least fifteen minutes prior to the start of the Court Meeting until the conclusion of the Scheme GM. The descriptions of the Signet Jewelers Limited memorandum of association and Signet Jewelers Limited Bye-laws contained herein are qualified by reference to the actual documents.

Unless the context otherwise requires, references to shareholder or shareholders means the person(s) whose name(s) appears on a company's register of members or shareholders and who are the legal owners of the shares concerned.

Provisions currently applicable to

Signet Shareholders

Under the Articles, a shareholder who is present in person or by proxy and entitled to vote at a shareholders' meeting is entitled to one vote on a show of hands regardless of the number of shares he or she holds. On a poll, each shareholder having the right to vote, including proxies for shareholders, is entitled to one vote for each ordinary share held.

Under the Articles, two shareholders present in person or by proxy and entitled to vote on the business to be transacted constitute a quorum for the purposes of a general meeting. Cumulative voting is not recognised under English law.

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

Voting Rights

In general, and except as provided below, a shareholder who is present in person or by proxy and entitled to vote at a shareholders' meeting is entitled to one vote on a show of hands regardless of the number of shares he or she holds. On a poll, each shareholder having the right to vote, including proxies for shareholders, is entitled to one vote for each common share held. Under the Signet Jewelers Limited Bye-laws, subject to certain exceptions, including amalgamations and liquidations, which require a majority of at least three-fourths of the votes cast, any resolutions at any general meeting are generally decided by a simple majority of the votes cast.

At any general meeting, two or more members present in person or by proxy at the commencement of the meeting constitute a quorum for the transaction of business.

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The Articles provide that resolutions put to a vote at a shareholders meeting will be decided on a show of hands, unless a poll is demanded by:

- (1) the chairman of the meeting;
- (2) the Directors;

The Signet Jewelers Limited Bye-laws provide that resolutions put to a vote at a shareholders meeting will be decided on a show of hands, unless a poll is demanded by:

- (1) the chairman of the meeting;
- (2) at least three shareholders present that have the right to vote on the resolution;

Provisions currently applicable to

Signet Shareholders

- (3) at least three shareholders present that have the right to vote;
- (4) a shareholder or shareholders representing not less than 10 per cent of the total voting rights of all the members having the right to vote at the meeting; or
- (5) any shareholder or shareholders holding shares that have voting rights on the resolution on which the aggregate sum paid on its or their shares is equal to at least 10 per cent of the total sum paid on all the shares having those voting rights on the resolution.

Under English law, ordinary resolutions are, in the first instance, decided on a show of hands and must be approved by at least a majority of the votes cast by shareholders present in person or by proxy. If a poll is demanded, the resolution conducted on a poll must be approved by shareholders representing at least a majority of the total voting rights of shareholders present in person or by proxy who vote on the resolution. Special resolutions, if decided on a show of hands, require the affirmative vote of at least 75 per cent of the votes cast by shareholders present in person or by proxy. If a poll is demanded, a special resolution conducted on a poll must be approved by shareholders representing at least 75 per cent of the total voting rights of shareholders present in person or by proxy who vote on the resolution.

Under the Articles, proxies of shareholders are entitled to attend shareholders meetings and to demand or to join in demanding a poll, and vote at shareholders meetings on a poll or on a show of hands.

A holder of Signet ADSs is currently not entitled to attend, speak or vote at Signet shareholders meetings. Under the current terms of the Signet ADSs, Deutsche Bank Trust Company Americas, as the ADS Depository, will, to the extent practical, subject to applicable law and the memorandum of association and Articles, vote the Signet Shares underlying the Signet ADSs in accordance with the written instructions of the registered holder of the Signet ADSs. If, however, a holder of Signet ADSs holds Signet ADSs through a brokerage account or otherwise in street name, in order to vote, the holder must instruct the registered holder of the Signet ADSs to instruct the ADS Depository with regard to voting the Signet Shares underlying the holder's Signet ADSs.

Action by Written Consent

Under English law, shareholders of a public company such as Signet are not permitted to pass resolutions by written consent.

Provisions that will be applicable to Signet Jewelers Limited Shareholders

- (3) any shareholder or shareholders holding not less than 10 per cent of the total voting rights of all shareholders having the right to vote at such meeting; or
- (4) any shareholder or shareholders holding shares conferring the right to vote, being shares on which the aggregate sum paid on its or their shares is equal to at least 10 per cent of the total sum paid on all the shares having those voting rights on the resolution.

Under the Signet Jewelers Limited Bye-laws, proxies of shareholders are entitled to attend, demand or to join in demanding a poll, and vote at shareholders meetings. Proxies of shareholders are also entitled to speak at shareholders meetings.

While Signet Jewelers Limited's register of members will show the DI Depository Nominee as the legal holder of the Signet Jewelers Limited Shares in respect of which Depository Interests are granted, the beneficial interests in such Signet Jewelers Limited Shares will remain with the Depository Interest holder, who will receive all the rights attaching to the Signet Jewelers Limited Shares as it would have done if such holder of Depository Interests had been on Signet Jewelers Limited's register of members itself.

Under Bermuda law and subject to the Signet Jewelers Limited Bye-laws, the Bermuda Companies Act provides that shareholders may take action by written consent.

Provisions currently applicable to

Signet Shareholders

Shareholder Proposals and Shareholder Nominations of Directors

Under English law, shareholders may demand that a resolution be voted on at an annual general meeting if the demand is made: (1) by shareholders holding at least 5 per cent of the total voting power of shares having a right to vote on the resolution; or (2) by at least 100 shareholders holding shares on which there has been paid up an average sum per shareholder of at least £100. The only shareholders who count towards these thresholds are those having at the date of the requisition a right to vote at the annual general meeting to which the resolution relates. The shareholders must deposit the demand at the Company's registered office at least six weeks before the annual general meeting to which it relates or, if later, at the time at which notice is given of the annual general meeting. In general, resolutions to appoint directors must be put to shareholders on the basis of one resolution for each nominated director. A resolution including more than one director may be presented to be voted upon at a general meeting only if the shareholders have first unanimously approved so doing.

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

The Bermuda Companies Act provides that shareholders may, as set forth below and at their own expense (unless a company otherwise resolves), require a company to give notice of any resolution that the shareholders can properly propose at the next annual general meeting and/or to circulate a statement prepared by the requesting shareholders in respect of any matter referred to in a proposed resolution or any business to be conducted at a general meeting. The number of shareholders necessary for such a requisition is either that number of shareholders representing at least 5 per cent of the total voting rights of all shareholders having a right to vote at the meeting to which the requisition relates or not less than 100 shareholders.

Under the Signet Jewelers Limited Bye-laws, for nominations or other business to be properly brought before an annual general meeting by a shareholder pursuant to the Signet Jewelers Limited Bye-laws, the shareholder must have given timely notice thereof in writing to the company secretary of Signet Jewelers Limited and such other business must otherwise be a proper matter for shareholder action. Notice is considered timely only if given to the company secretary of Signet Jewelers Limited not less than 90 nor more than 120 days prior to the first anniversary of the date of the preceding year's annual general meeting of shareholders.

Sources and Payment of Dividends

Subject to the prior rights of holders of any preferred shares, an English company may pay dividends on its ordinary shares only out of its distributable profits, defined as accumulated, realised profits less accumulated, realised losses, and not out of share capital, which includes share premiums (being the excess of the consideration for the issue of shares over the aggregate nominal amount of such shares). Amounts credited to the share premium account, however, may be used to pay up unissued shares that may then be distributed to shareholders in proportion to their holdings. In addition, under English law, Signet will not be permitted to make a distribution if, at the time, the amount of its net assets is less than the aggregate of its issued and paid-up share capital and undistributable reserves or if the distribution would result in the amount of its net assets being less than that aggregate. The Board or Signet shareholders may, by ordinary resolution, declare final dividends, but no dividend may be declared by Signet Shareholders in excess of an amount recommended by the Board. The Board has the power under the Articles to pay interim dividends without the approval of shareholders to the extent the financial position of Signet justifies a dividend. A dividend may be paid in any currency or currencies decided by the Board. Signet may agree with a shareholder that any dividend declared or which may become due in one currency will be paid to the member in another currency.

Bermuda law does not permit the declaration or payment of dividends or distributions of contributed surplus by a company if there are reasonable grounds for believing that a company is, or after the payment is made would be, unable to pay its liabilities as they become due, or the realisable value of such company's assets would be less, as a result of the payment, than the aggregate of its liabilities and its issued share capital and share premium accounts. The excess of the consideration paid on an issue of shares over the aggregate par value of such shares must (except in certain limited circumstances) be credited to a share premium account. Share premium may be utilised in certain limited circumstances, for example, to pay up unissued shares which may be distributed to shareholders in proportion to their holdings as fully paid bonus shares, but is otherwise subject to limitation.

Holders of the common shares are entitled to receive such dividends as lawfully may be declared from time to time by the board of directors.

Provisions currently applicable to

Signet Shareholders

Under English law, a company may issue redeemable shares, subject to any conditions stated in its articles of association. The Articles permit the issuance of redeemable shares. A company may purchase its own shares, if: (a) in the case of an open-market purchase, authority to make the market purchase has been given by an ordinary resolution of its shareholders; or (b) in all other cases, the purchase has first been approved by a special resolution of its shareholders. The Articles authorise Signet to purchase its own shares and Signet was authorised to make certain market purchases by its shareholders at the annual general meeting held on 6 June 2008.

A company may redeem or repurchase shares only if the shares are fully paid and, in the case of public companies, only out of: (1) distributable profits; or (2) the proceeds of a new issue of shares made for the purpose of the repurchase or redemption.

The UK Listing Authority requires that where a company has issued shares that are admitted to the Official List and are convertible into a class of shares to be repurchased, the holders of the convertible shares must first pass a special resolution approving any repurchase at a separate class meeting unless the trust deed or terms of issue of such shares authorised the company to purchase its own shares (LR 12.4.7 and LR 12.4.8).

The UK Listing Authority requires that purchases of 15 per cent or more of any class of share capital of a company whose share capital is admitted to the Official List must be made by way of a tender offer to all shareholders of that class (LR 12.4.2). A tender offer must be made at a stated maximum or at a fixed price.

Purchases below the 15 per cent threshold may be made through the open market, provided that the price paid is not more than 5 per cent above the average market value of the company's shares for the 5 business days prior to the day the purchase is made (LR 12.4.1).

Rights of Purchase and Redemption

Provisions that will be applicable to Signet Jewelers Limited Shareholders

Signet Jewelers Limited, upon a resolution of the board of directors, may generally make purchases of its shares without shareholder approval.

Any repurchased shares by Signet Jewelers Limited would either be cancelled or held as treasury shares in accordance with the Bermuda Companies Act. In addition, Signet Jewelers Limited may only repurchase shares if there are reasonable grounds for believing that it can pay its liabilities as they become due at the time of repurchase and thereafter.

Meetings of Shareholders

Under the Articles, all general meetings of shareholders will be held at the time and place determined by the directors, unless the directors fail to comply with a request of the shareholders (see below), in which case it will be held at a time and place determined by the shareholders.

Under the Bermuda Companies Act, and subject to the right of shareholders to call special general meetings, general meetings of shareholders will be held at the time and place determined by the directors.

Special Meetings of Shareholders

Under English law, a general meeting of shareholders may be called: (1) by the board of directors; or (2) on the requisition of shareholders holding at least one-tenth of the paid-up capital of the company carrying voting rights at the general meeting.

Under the Signet Jewelers Limited Bye-laws, a special general meeting may be called by Signet Jewelers Limited's president, chairman or a majority of the directors in office. Under Bermuda law, a special meeting must also be convened by the

Provisions currently applicable to

Signet Shareholders

Under the Articles, the notice requirements for general meetings are as follows:

(1) in the case of an annual general meeting 21 clear days' notice; and

(2) in any other case 14 clear days' notice.

In addition, general meetings may be called upon shorter notice if: (1) in the case of an annual general meeting, all the shareholders who are permitted to attend and vote agree to the shorter notice; or (2) in the case of a general meeting, a majority of the shareholders having a right to attend and vote at the meeting and who hold at least 95 per cent by nominal value of the shares which can be voted at the meeting so agree.

Clear days' notice' means calendar days and excludes: (1) the date of mailing; (2) the date of receipt or deemed receipt of the notice; and (3) the date of the meeting itself. The Articles provide that documents sent by first class mail are deemed received 24 hours after mailing, and, if sent by second class mail, 48 hours after mailing.

Special resolutions' generally involve proposals to: (1) change the name of a company; (2) alter its capital structure; (3) change or amend the rights of shareholders; (4) permit a company to issue new shares for cash without applying the shareholders' pre-emptive rights; (5) amend a company's objects clause in its memorandum of association; (6) amend a company's articles of association; or (7) carry out other matters for which a company's articles of association or the Companies Acts prescribe that a special resolution' is required.

Appraisal Rights

While English law does not generally provide for appraisal rights, a shareholder may apply to a court and the court may specify terms for the acquisition that it considers appropriate as described under 'Shareholders' Votes on Certain Transactions' below.

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

company on the requisition by the holders of at least 10 per cent of the paid-up voting share capital of a company as provided by the Bermuda Companies Act.

Under the Signet Jewelers Limited Bye-laws, notices of all general meetings must specify the place, the date and time of the meeting and, in case of a special general meeting, the general nature of the business to be considered.

Notice must be provided at least 14 clear days prior to a general meeting. However, general meetings may be called on shorter notice if: (1) in the case of an annual general meeting, all the shareholders who are permitted to attend and vote agree to the shorter notice; or (2) in the case of a special general meeting, a majority of the shareholders holding at least 95 per cent by nominal value of the shares which can be voted at the meeting so agree.

Pre-emptive Rights

Under English law, the issuance for cash of: (1) equity securities, being those which, with respect to dividends or capital, carry a right to participate beyond a specified amount; or (2) rights to subscribe for or convert into equity securities, must be offered first to the existing equity shareholders in proportion to the respective nominal values of their holdings, unless a special resolution to the contrary has been passed by shareholders in a general meeting.

Under Bermuda law, unless otherwise provided in a company's bye-laws, shareholders of a company are not entitled to pre-emptive rights. The Signet Jewelers Limited Bye-laws do not provide for pre-emptive rights.

Provisions currently applicable to

Signet Shareholders

At its annual general meeting in 2008, Signet passed, as is the custom of many English companies whose shares are listed on the Official List and admitted to trading on the London Stock Exchange, a resolution to authorise the Directors of Signet to allot equity securities of nominal value equal to 5 per cent of Signet's issued share capital, without these pre-emption rights.

Amendment of Governing Instruments

Under English law, shareholders have the power to amend: (1) the objects, or purpose, clause in a company's memorandum of association; and (2) any provisions of a company's articles of association, by special resolution, subject to, in the case of amendments to the objects clause of the memorandum of association, the right of dissenting shareholders to apply to the courts to cancel the amendments.

Under English law, the board of directors is not authorised to change the memorandum of association or the articles of association. See [Share Class Rights](#) below.

Amendments affecting the rights of the holders of any class of shares may, depending on the rights attached to the class and the nature of the amendments, also require approval by special resolution of the classes affected in separate class meetings. See [Share Class Rights](#) below.

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

Under the Bermuda Companies Act, a company's bye-laws may be amended only by both a resolution passed by the board of directors and a resolution passed by the shareholders. Under the Signet Jewelers Limited Bye-laws, an affirmative vote of not less than 75 per cent of the directors then in office and of the holders of 75 per cent of the total combined voting power of all issued shares of the company is required to amend certain of the Signet Jewelers Limited Bye-laws.

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders of which due notice has been given. Under Bermuda law, the holders of an aggregate of not less than 20 per cent in par value of a company's issued share capital have the right to apply to the Bermuda courts for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment that alters or reduces a company's share capital as provided in the Bermuda Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda court. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering a company's memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their designees as such holders may appoint in writing for such purpose. No application may be made by the shareholders voting in favour of the amendment.

Provisions currently applicable to

Signet Shareholders

Subject to the rights of any existing shareholders, the Articles permit Signet to issue new shares with any rights granted to holders of such shares, including rights of priority over the Signet Shares.

Preference Shares

Subject to the Signet Jewelers Limited Bye-laws and Bermuda law, the board of directors has the power to issue any of Signet Jewelers Limited's unissued shares as it determines, including the issuance of any shares or class of shares with preferred, deferred or other special rights.

Subject to certain limitations contained in the Signet Jewelers Limited Bye-laws and any limitations prescribed by applicable law, the board of directors is authorised to issue preference shares in one or more series and to fix the designation, powers, preferences and rights and the qualifications, limitations or restrictions of such shares, including but not limited to dividend rates, conversion rights, voting rights, terms of redemption/repurchase (including sinking fund provisions), redemption/repurchase prices and liquidation preferences, and the number of shares constituting, and the designation of, any such series, without further vote or action by shareholders. Immediately following the Share Capital Consolidation there will be 500,000,000 unissued undesignated preference shares.

Share Class Rights

The Articles provide that:

(1) the rights of any class of shares may (unless the rights attached to the shares of the class otherwise provide) only be changed with the consent in writing of 75 per cent of the total nominal value of shares of that class or by a special resolution passed at a separate class meeting of the holders of the relevant class of shares;

The rights attached to any class or series may be amended with the written consent of the holders of 75 per cent of the issued shares of the class or series being affected or with the sanction of a resolution passed by 50 per cent of the votes cast at a separate general meeting of the holders of the shares of the class or series at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class.

(2) the quorum required for the separate class meetings is at least two people who hold, or act as proxies for, at least one-third of the total nominal value of the existing shares of the class, except that at any adjournment of a class meeting one shareholder constitutes a quorum, regardless of the number of shares that person holds; and

(3) every holder of shares of a class having a separate class meeting is entitled, on a poll, to one vote in respect of each share held.

Shareholders' Votes on Certain Transactions

The Companies Act provides for schemes of arrangement, which are arrangements or compromises between a company and any class of shareholders or creditors and used in certain types of reconstructions, amalgamations, capital reorganisations or takeovers. These arrangements require the approval of: (1) a

The Bermuda Companies Act permits an amalgamation between two or more Bermuda companies, or between one or more Bermuda exempted companies and one or more foreign companies. Under Bermuda law, Signet Jewelers Limited is an exempted company.

Provisions currently applicable to

Signet Shareholders

majority in number of each class of shareholders or creditors representing at least 75 per cent in value of the capital held by or debt owed to that class present and voting in person or by proxy at special meetings convened by order of the Court; and (2) the Court.

Once approved, sanctioned and effective, all shareholders and creditors of the relevant class and the company are bound by the terms of the scheme, and a dissenting shareholder would have no rights comparable to appraisal rights provided under the corporate laws of most US states.

Under the rules of the UK Listing Authority, shareholder approval:

(1) is usually required for an acquisition or disposal by a listed company if, generally, the size of the company or business to be acquired or disposed of represents 25 per cent or more of the assets, profits, or gross capital of the listed company or if the consideration to be paid represents 25 per cent or more of the aggregate market value of the listed company's equity shares (LR 10.5); and

(2) may also be required for an acquisition or disposal of assets between a listed company and parties, including:

(a) any person who is, or was in the last 12 months preceding the date of the transaction, a director or shadow director of the company or its subsidiaries;

(b) any person who is, or was in the last 12 months preceding the date of the transaction, a holder of 10 per cent or more of the nominal value of any class of the company's or any holding company's or its subsidiary's shares having the right to vote; or

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

The Signet Jewelers Limited Bye-laws require the amalgamation agreement to be approved by: (1) a resolution passed by members holding at least 75 per cent of the total voting rights attaching to all the issued shares in the capital of the Company entitled to vote on such a resolution and the quorum for a meeting convened to pass such a resolution is two persons present representing in person or by proxy in excess of 50 per cent of such voting rights entitled to vote on such resolution and present throughout the meeting; or (2) in the case of an amalgamation agreement approved by the board of Signet Jewelers Limited prior to the commencement of the meeting, a resolution passed by simple majority of the votes cast by those members attending and voting at such meeting and the quorum for such a meeting is two or more persons present in person or by proxy.

As a Bermuda company, Signet Jewelers Limited may enter into certain business transactions with significant shareholders, including asset sales, in which a significant shareholder receives, or could receive, a financial benefit that is greater than that received, or to be received, by other shareholders with prior approval from the board of directors but without obtaining prior approval from the company's shareholders.

Additional limitations are described below under Takeovers of Public Companies .

The corresponding rules of the UK Listing Authority regarding shareholder approval do not apply to Signet Jewelers Limited. However, Signet Jewelers Limited is prohibited from engaging, under certain circumstances, in a business combination (as defined in the Signet Jewelers Limited Bye-laws) with any interested shareholder (as defined in the Signet Jewelers Limited Bye-laws) for three years following the date that the shareholder became an interested shareholder. A business combination is defined to include, among other things, a merger or consolidation involving the company and the interested shareholder and a sale of more than 10 per cent of the company's assets. In general, an interested shareholder is defined as any entity or person beneficially owning 15 per cent or more of the company's voting shares and any entity or person affiliated with or associated with that entity or person;

(c) any of their associates (LR 11.1.4 and LR 11.1.7).

Provisions currently applicable to

Signet Shareholders

Except when closed pursuant to the Companies Act, the register and index of names of shareholders of an English company may be inspected: (1) for free, by its shareholders; and (2) for a fee by any member of the public.

In both cases, the documents may be copied for a fee.

The shareholders of an English public company may also inspect, without charge: (1) minutes of meetings of the shareholders and obtain copies of the minutes for a fee; and (2) service contracts of the company's directors and obtain copies of the contracts for a fee. In addition, the published annual accounts of a public company are required to be available for shareholders at a general meeting and a copy of these accounts must be sent to every shareholder.

The shareholders of Signet do not have rights to inspect the accounting records of Signet or minutes of meetings of its Directors.

Rights of Inspection

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

Members of the general public have the right to inspect Signet Jewelers Limited's public documents available at the office of the Registrar of Companies in Bermuda, which will include its memorandum of association (including its objects and powers), any increase or reduction of its authorised capital and copies of any prospectuses issued. Signet Jewelers Limited's register of members and register of directors and officers are also open to inspection by members of the public without charge. Signet Jewelers Limited's shareholders have the additional right to inspect its bye-laws, minutes of general meetings and audited financial statements. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

Standard of Conduct for Directors

Under English law, a director has fiduciary and certain statutory duties. The general statutory duties of directors are:

- (1) to act in accordance with their powers;
- (2) to promote the success of the company for the benefit of members as a whole;
- (3) to exercise independent judgement; and
- (4) to exercise reasonable care, skill and diligence.

In promoting the success of a company, the directors must have regard to the following factors:

The Bermuda Companies Act imposes a duty on directors and officers of a Bermuda company:

- (1) to act honestly and in good faith, with a view to the best interests of such company; and
- (2) to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In addition, the Bermuda Companies Act imposes various duties on officers of a company with respect to certain matters of management and administration of such company. The Bermuda Companies Act provides that in any proceedings for negligence, default, breach of duty or breach of trust against any officer, if it appears to a court that such officer is or may be liable in respect of the negligence, default, breach of duty or breach of trust, but that he has acted honestly and reasonably, and that, having regard to all the circumstances of the case, including those connected with his appointment, he ought fairly to be excused for the negligence, default, breach of duty or breach of trust, such court may relieve him, either wholly or partly, from any liability on such terms as such court may think fit. This provision has been interpreted to

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- (1) the likely consequences of any decision in the long term;
- (2) the interests of employees;
- (3) the need to foster business relationships with suppliers, customers and others;
- (4) the impact of operations on the community and environment;
- (5) the desirability of maintaining high standards of business conduct; and
- (6) the need to act fairly between members of the company.
- apply only to actions brought by or on behalf of a company against such officers. The Signet Jewelers Limited Bye-laws, however, provide that each of the company's present and future shareholders waive all claims or rights of action that such shareholder might have, individually or in the right of the company, against any of the directors or officers for any act or failure to act in the performance of the duties of such director or officer, provided that this waiver does not extend to any matter in respect of any fraud or dishonesty which may attach to such director or officer.

See also [Liability of Directors and Officers](#) below.

Provisions currently applicable to

Signet Shareholders

A director of a company who has any direct or indirect interest in a contract or proposed contract with the Company must declare his interest at a Board meeting.

In the Articles the Board has the power to authorise matters where a Director has or can have a direct or indirect interest that conflicts or may conflict with that of the Company. No interested Director can count towards the quorum at the meeting considering the matter or have his vote counted when authorising the conflict. This reflects a change to the law which will come into force from 1 October 2008. The Director's duty to declare his interest in any contracts with the Company will remain.

Retirement by rotation of the Board of Directors

The Articles provide that, at each annual general meeting any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation. These retired directors will be eligible for re-election at that annual general meeting.

Majority Voting for Directors

Under English law, at any general meeting held for the purpose of electing directors at which a quorum is present, director nominees receiving a majority of votes cast at the meeting will be elected as directors, provided that every such appointment must be voted on individually by a single resolution unless otherwise agreed by a previous resolution which was passed unanimously. The shareholders may also by a majority of votes remove a director and appoint another person as a director in his place, provided that special notice of the resolution to remove the director should be given to Signet at least 28 days before the meeting at which it is moved.

Removal of Directors

Under the Companies Act, shareholders may remove a director without cause by ordinary resolution, irrespective of any provisions of the service contract the director has with the company, provided that special notice of the resolution to remove the director is given to Signet at least 28 days before the meeting at which it is moved.

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

Under Bermuda law and the Signet Jewelers Limited Bye-laws, a transaction entered into by Signet Jewelers Limited, in which a director has an interest, will not be avoidable by the company, and such director will not be liable to the company for any profit realised pursuant to such transaction, provided the nature of the interest is duly disclosed to the board of directors or an appropriate board committee. In addition, the Signet Jewelers Limited Bye-laws allow a director to be taken into account in determining whether a quorum is present and to vote on a transaction in which the director has an interest following a declaration of the interest to the board of directors or an appropriate board committee, provided that the director is not disqualified from doing so by the chairman of the meeting.

The Signet Jewelers Limited Bye-laws provide that the number of directors will be determined by the board of directors subject to a maximum of 15. Each director generally will serve a three year term, with retirement staggered.

Under the Signet Jewelers Limited Bye-laws, at any general meeting held for the purpose of electing directors at which a quorum is present, each director nominee receiving a majority of the votes cast at the meeting will be elected as a director.

However, if the number of nominees exceeds the number of positions available for the election of directors, the directors so elected shall be those nominees who have received the greatest number of votes (and an absolute majority of the votes cast is not a prerequisite).

Shareholders may remove a director at any special general meeting convened and held in accordance with the Signet Jewelers Limited Bye-laws by a resolution comprising the affirmative vote of not less than 75% per cent of the votes attaching to all Signet Jewelers Limited Shares, provided that the notice of the meeting convened for the purpose of removing the director contains a statement of the intention so to do and is served on such director not less than 14 days before the meeting.

Provisions currently applicable to

Signet Shareholders

Signet Shareholders may by ordinary resolution appoint a person to be a director:

- (1) to fill a vacancy; or

- (2) to become an additional director, subject to any maximum provided in Signet's Articles.

The Board has the power to appoint a director:

- (1) to fill a vacancy; or

- (2) to become an additional director, subject to any maximum provided in Signet's Articles,

to serve until the next annual general meeting of the Company, whereupon the director concerned is required to retire but will be eligible for election.

The Board currently consists of ten members made up of four executive directors and six non-executive directors.

Liability of Directors and Officers

English law does not permit a company to exempt any director of the company from any liability arising from negligence, default, breach of duty or breach of trust against the company.

However, a company may by ordinary resolution ratify a director's conduct amounting to negligence, default, breach of duty or breach of trust (note however a shareholder's right to bring an action against the company in certain circumstances as set out in Shareholders' Suits below).

The director in question and any shareholders connected with him are not entitled to vote on the resolution. Shareholders can also ratify acts of directors by unanimous consent.

Provisions that will be applicable to Signet Jewelers Limited Shareholders

Vacancies on the Board of Directors

Vacancies on the board of directors can be filled by the board of directors if the vacancy occurs as a result of, among other things, death, disability, disqualification, removal or resignation of a director, or an increase in the size of the board of directors. Shareholders have the right to fill a vacancy created by the removal of a director at the meeting at which the director is removed.

The Signet Jewelers Limited Bye-laws provide that none of Signet Jewelers Limited's officers, directors or employees will be personally liable to Signet Jewelers Limited or its shareholders for any action or failure to act to the fullest extent permitted by law.

See also Standard of Conduct for Directors above.

Indemnification of Directors, Officers and Auditors, and Insurance

English law does not permit a company to indemnify a director or officer of the company or of an associated company against any liability arising from negligence, default, breach of duty or breach of trust in relation to the company of which he is a director or officer. However, a company is permitted to make a loan to a director to provide him with funds to meet expenditure incurred or to be incurred in connection with:

Pursuant to the Signet Jewelers Limited Bye-laws, Signet Jewelers Limited will indemnify its officers and directors to the fullest extent permitted by Bermuda law. Such indemnity will extend, without limitation, to any matter in which an officer or director of Signet Jewelers Limited may be guilty of negligence, default, breach of duty or breach of trust in relation to Signet Jewelers Limited or any of its subsidiaries, provided that this indemnity will not extend to any matter in respect of any fraud or

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dishonesty which may attach to such director or officer.

(1) defending any criminal or civil proceeding in which judgment is entered in favour of the director or officer or the director or officer is acquitted; or

(2) proceedings in which the director or officer is held liable, but the court finds that he acted honestly and reasonably and that relief should be granted; or

(3) proceedings in which the director is defending himself in an investigation by a regulatory authority or against action proposed to be taken by a regulatory authority.

Provisions currently applicable to

Signet Shareholders

In addition Signet may make provision for indemnities against liability incurred by members of the Board to persons other than Signet or an associated company provided such provisions do not provide any indemnity against:

- (1) liability of the director to pay any fine imposed in criminal proceedings or any penalty payable to a regulatory authority in respect of non-compliance with any requirement of a regulatory nature; or
- (2) any liability incurred by the director in defending criminal proceedings in which he is convicted, in defending civil proceedings brought by Signet or an associated company in which judgment is given against him, or in connection with an application for relief in which the court refuses to grant him relief.

In addition Signet may make provisions indemnifying a director of a company that is a trustee of an occupational pension scheme against liability incurred in connection with the company's activities as trustee of the scheme provided that the provision does not provide any indemnity against:

- (1) any liability of the director to pay a fine imposed in criminal proceedings or a penalty payable to a regulatory authority in respect of non-compliance with any requirement of a regulatory nature; or
- (2) any liability incurred by the director in defending criminal proceedings in which he is convicted.

The Articles provide that, to the extent permitted by the Companies Act, every director of Signet or a director of any associated company may be indemnified against liabilities he incurs in relation to Signet or any associated company and any person who is or was a director of an associated company that is a trustee of an occupational pension scheme may be indemnified in connection with that company's activities as an occupational pension scheme.

English law does not permit a company:

- (1) to exempt an auditor from any liability that would otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company occurring in the course of the audit of accounts; or

- (2) to provide directly or indirectly an indemnity for an auditor of the company or an associated company against any liability in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he is auditor occurring in the course of the audit of accounts.

Signet may however indemnify an auditor against any liability incurred by him in defending civil or criminal proceedings in which judgment is given in his favour or he is acquitted or where relief is granted to him by the court in the case of honest and reasonable conduct.

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

Provisions currently applicable to

Signet Shareholders

In addition, Signet may enter into an agreement limiting the amount of liability owed to it by its auditor in respect of any negligence, default, breach of duty or breach of trust occurring in the course of the audit of accounts. Such an agreement must comply with the Companies Act and be approved by Signet's shareholders.

The Companies Act allows companies to purchase and maintain insurance for directors, officers and auditors against any liability arising from negligence, default, breach of duty or breach of trust against the company. Signet maintains directors' and officers' insurance.

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

The Bermuda Companies Act enables companies to purchase and maintain, and the Signet Jewelers Limited Bye-laws permit Signet Jewelers Limited to purchase and maintain, insurance for directors and officers against any liability arising from negligence, default, breach of duty or breach of trust against the company.

Shareholders' Suits

The Companies Act permits a shareholder whose name is on the register of members of the company to apply for a court order: (1) when the company's affairs are being or have been conducted in a manner unfairly prejudicial to the interests of all or some shareholders, including the shareholder making the claim; or (2) when any actual or proposed act or omission of the company is or would be so prejudicial. A court has wide discretion in granting relief, and may authorise civil proceedings to be brought in the name of the company by a shareholder on terms that the court directs.

English law also permits actions by shareholders on behalf of the company or on behalf of other shareholders in circumstances where there is an actual or proposed act or omission involving negligence, default, breach of duty or breach of trust by a director of the company.

Before such proceedings can be brought, the applicant is required to show a prima facie case against the defendant and the claim can only proceed with the court's permission.

In order to become a Signet Shareholder and enforce these rights under English law, holders of Signet ADSs will be required to withdraw from the ADS Depository at least one of their Signet Shares underlying the Signet ADSs so that their name is entered on the register of members.

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to commence an action in Signet Jewelers Limited's name to remedy a wrong done to the company where the act complained of is alleged to be beyond Signet Jewelers Limited's corporate power or is illegal or would result in the violation of the memorandum of association or Signet Jewelers Limited Bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of shareholders than actually approved it.

The winning party in such an action generally would be able to recover a portion of attorneys' fees incurred in connection with such action. The Signet Jewelers Limited Bye-laws provide that all present and future shareholders waive all claims or rights of action that they might have, individually or in the right of the company, against any of the company's directors or officers for any action or failure to act in the performance of the duties of such director or officer, provided that such waiver does not extend to any matter in which such director or officer in respect of any fraud or dishonesty which may attach to such officer or director.

In order to become the legal holder of Signet Jewelers Limited Shares and appear on Signet Jewelers Limited's register of members, a holder of Depository Interests should withdraw their underlying Signet Jewelers Limited Shares by using standard CREST messages so that they hold their Signet Jewelers Limited Shares in certificated form.

Provisions currently applicable to

Signet Shareholders

A takeover of Signet would be regulated by the Takeover Code administered by the Panel, a body consisting of representatives of the City of London financial and professional institutions, which oversees the conduct of takeovers.

The Takeover Code provides that the person making an offer is obliged to comply with a strict takeover timetable and that he is also restricted in his ability to make announcements and, having made a relevant announcement, is obliged to adhere to the terms thereof.

All holders of the securities of the target company of the same class must be treated equally and, as such, special or favourable deals between the person making the offer and the shareholders of a target company are prohibited.

The Takeover Code imposes a high degree of transparency by requiring, amongst others, the person making the offer, the target company and their respective associates to disclose publicly their dealings in relevant securities. If the person making the offer fails to complete an offer, he is prohibited from making another offer within twelve months.

The Takeover Code provides that when:

(1) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which, together with shares which any persons acting in concert with him are interested, represent 30 per cent or more of the voting rights of a company; or

(2) any person, together with persons acting in concert with him, is interested in shares which carry at least 30 per cent but not more than 50 per cent of the voting rights and that person, or any person acting in concert with him, acquires any additional shares,

the person must generally make an offer for all of the classes of equity shares of the company, whether voting or non-voting, and also to holders of any class of transferable securities carrying voting rights, for cash, or accompanied by a cash alternative, at not less than the highest price paid by the persons or these persons for the relevant shares during the 12 months preceding the date of the offer.

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

Takeovers of Public Companies

There is no equivalent to the Takeover Code in Bermuda. However, directors have fiduciary duties to act in the best interests of the company as a whole.

The Signet Jewelers Limited Bye-laws also contain certain provisions that may impede or delay an unsolicited takeover of the company under certain circumstances. For example, under the Signet Jewelers Limited Bye-laws:

Signet Jewelers Limited is prohibited from engaging, under certain circumstances, in a business combination (as defined in the Signet Jewelers Limited Bye-laws) with any interested shareholder (as defined in the Signet Jewelers Limited Bye-laws) for three years following the date that the shareholder became an interested shareholder. A business combination is defined to include, among other things, a merger or consolidation involving the company and the interested shareholder and a sale of more than 10 per cent of the company's assets. In general, an interested shareholder is defined as any entity or person beneficially owning 15 per cent or more of the company's voting shares and any entity or person affiliated with or associated with that entity or person;

the board of directors, without further shareholder action, is permitted by the Signet Jewelers Limited Bye-laws to issue preference shares, in one or more series, and determine by resolution any designations, preferences, qualifications, privileges, limitations, restrictions, or special or relative rights of additional series. The rights of preferred shareholders may supersede the rights of common shareholders;

the board of directors retire by rotation with the election years of the members staggered such that one third of the members are elected each year; and

the board of directors is authorised to expand its size and fill vacancies.

Provisions currently applicable to

Signet Shareholders

Under English law, a director of a company has a statutory duty to act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of the members as a whole.

Generally, anti-takeover measures are not actions that fall within this category. Under the Takeover Code, a company is prohibited from taking any action without the approval of its shareholders at a general meeting when:

(1) a bona fide offer has been communicated to its board of directors; or

(2) its board of directors believes that a bona fide offer is imminent,

if such action could effectively result in the offer being frustrated or the shareholders being denied an opportunity to decide on its merits.

The Companies Act provides: (1) that, where a takeover offer is made for the shares of a company incorporated under the Companies Acts; and (2) at any time before the end of the period within which the offer can be accepted, the offeror has acquired or unconditionally contracted to acquire at least 90 per cent in value of the shares to which the offer relates or 90 per cent in value of the shares of any class to which the offer relates, the offeror may require shareholders who do not accept the offer to transfer their shares on the terms of the offer. A dissenting shareholder may object to the transfer or its proposed terms by applying to the court within six weeks of the date on which notice of the transfer was given. In the absence of fraud or oppression, the court is unlikely to order that the acquisition shall not take effect, but it may specify terms of the transfer that it finds appropriate. A minority shareholder is also entitled in these circumstances, in the alternative, to require the offeror to acquire his shares on the terms of the offer.

Disclosure of Interests

The Disclosure and Transparency Rules provide that where any person acquires a relevant interest in shares in an issuer so that the percentage of voting rights held by that person, directly or indirectly, reaches, exceeds or falls below 3 per cent (and each 1 per cent threshold thereafter up to 100 per cent) that person must notify the issuer of the percentage of voting rights they hold as soon as possible and at the latest within two trading days (DTR 5.1.2 and DTR 5.8.3).

This requirement applies to holders of Signet Shares.

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

Bermuda law provides that, where an offer is made for shares of a company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may by notice require the non-tendering shareholders to transfer their shares on the terms of the offer.

Dissenting shareholders may apply to the court within one month of the notice, objecting to the transfer. The burden is on the dissenting shareholders to show that the court should exercise its discretion to enjoin the required transfer, which the court will be unlikely to do unless there is evidence of fraud or bad faith or collusion between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

There is no similar legislation in Bermuda that would require disclosure of material interests in a Bermuda company. However, provided Signet Jewelers Limited is listed on the Official List as intended the disclosure requirements under the Disclosure and Transparency Rules will continue to apply to holders of Signet Jewelers Limited Shares, except that as a non-UK issuer the relevant interest thresholds for disclosure will be 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent, 50 per cent and 75 per cent (rather than 3 per cent and each 1 per cent threshold thereafter up to 100 per cent) (DTR 5.1.2).

Also, since Signet Jewelers Limited Shares will be registered under section 12 of the Exchange Act, beneficial owners of more than 5 per cent of any

Provisions currently applicable to

Signet Shareholders

In addition, the Companies Act provides that a public company may, by notice in writing, require a person whom the company knows is, or has cause to believe to be, or to have been within the three preceding years, interested in the company's issued voting share capital to: (1) confirm whether this is or is not the case; and (2) if this is the case, to give further information that the company requires relating to his interest or any other interest in the company's shares of which he is aware.

Holding Signet ADSs will generally constitute holding an interest in the underlying Signet Shares and subject such holders to the requirements described above.

When the notice is served by a company on a person who is or was interested in shares of the company and that person fails to give the company any information required by the notice within the time specified in the notice, the company may apply to the court for an order directing that the shares in question be subject to restrictions prohibiting, among other things:

- (1) any transfer of the shares;
- (2) the exercise of voting rights;
- (3) the issue of further shares; and
- (4) other than in a liquidation, dividends and other payments.

Subject to exceptions in limited circumstances, any agreement to transfer shares which are subject to restriction (1) above is void. In respect of an interest in shares that is less than 0.25 per cent of the relevant class of shares in a company whose shares are traded on the London Stock Exchange, the restrictions extend only to prohibition on attending and voting at shareholders' meetings (LR 9.3.9).

The Articles provide that the Board may impose the restrictions on shareholders set forth in the above paragraph, which restrictions are normally imposed by the court in the event a notice is served. In addition, holders of Signet ADSs are required to comply with specified US securities law requirements, including filing Schedules 13D or 13G with respect to their beneficial ownership of the underlying Signet Shares if they beneficially hold more than 5 per cent of the issued Signet Shares outstanding.

Signet is required by the Listing Rules to disclose in its annual report the identity and share interests of its Directors and any persons connected with them, as

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

class of the company's shares that are registered under section 12 of the Exchange Act must be reported along with specified information to the SEC by filing a Schedule 13G or 13D.

In addition, the Signet Jewelers Limited Bye-laws provide that Signet Jewelers Limited may, by notice in writing, require a person whom Signet Jewelers Limited knows is, or has reasonable cause to believe to be, or to have been within the three preceding years, interested in Signet Jewelers Limited's issued voting share capital to: (1) confirm whether this is or is not the case; and (2) if this is the case, to give further information that Signet Jewelers Limited requires relating to his interest or any other interest in Signet Jewelers Limited Shares of which he is aware.

Holding Depositary Interests will generally constitute holding an interest in the underlying Signet Jewelers Limited Shares and subject such holders to the requirements described above.

When the notice is served by Signet Jewelers Limited on a person who is or was interested in Signet Jewelers Limited Shares and that person fails to give Signet Jewelers Limited any information required by the notice within the time specified in the notice (being a period of no less than 5 days), that person may be subject to certain restrictions prohibiting, among other things:

- (1) any transfer of the shares;
- (2) the exercise of voting rights;
- (3) the issue of further shares; and
- (4) other than in a liquidation, dividends and other payments.

Subject to exceptions in limited circumstances, the board of Signet Jewelers Limited may refuse to register a transfer of shares which are subject to restriction (1) above. In respect of an interest in shares that is less than 0.25 per cent in nominal value of the issued shares of their class, the restrictions extend only to prohibition on attending and voting at shareholders' meetings.

Provisions currently applicable to

Signet Shareholders

defined in the Companies Act, and of any person with an interest of 3 per cent or more in its ordinary shares, including ordinary shares underlying Signet ADSs (LR 9.8.6).

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

Insider Dealing and Market Abuse

Directors of Signet are subject to applicable UK legislation prohibiting insider dealing and market abuse.

The Directors have to comply with the Model Code of the UK Listing Authority that has been adopted by Signet, which provides that the Directors must not be given clearance to deal in securities of the Company on considerations of a short term nature (LR 9.2.8 and LR 9 Annex 1). The Model Code also places additional restrictions on trading during periods prior to the announcement of a company's results or when in the possession of inside information (LR 9 Annex 1).

Directors of Signet Jewelers Limited will be subject to the UK legislation prohibiting insider dealing and market abuse.

However, following the Scheme becoming effective, directors of Signet Jewelers Limited will not be required to comply with the Model Code of the UK Listing Authority that has been adopted by Signet.

Shareholder Circulars, Notices and Reports to Shareholders

Signet is governed by the Companies Acts and the Listing Rules regulating notices of shareholder meetings, which generally provide that notice of a shareholder meeting must be accompanied by:

(1) a shareholder circular containing an explanation of the purpose of the meeting; and

(2) recommendations of the board of directors with respect to actions to be taken (LR 13.3.1).

In addition, Signet sends Signet Shareholders a copy of its annual report and accounts or a summary thereof.

In addition, under the Listing Rules, Signet is currently required to announce and/or send to shareholders details relating to certain acquisitions, dispositions, takeovers, mergers and offers either made by or in respect of the Company, depending on their size and importance (LR 10).

Signet Jewelers Limited will not be subject to the requirements of the Companies Acts or the requirements of the UK Listing Authority relating to the content of notices to shareholders. However, it will be subject to US securities rules and will be subject to the Bermuda Companies Act.

In addition, Signet Jewelers Limited will send or make available to Signet Jewelers Limited Shareholders a copy of its annual report and accounts or a summary thereof.

Reporting Requirements

As a foreign private issuer in the United States, Signet is required to comply with US securities rules applicable to foreign private issuers relating to the periodic reporting of information regarding Signet. These disclosures include annual reports on Form 20-F that must be filed with the SEC after the end of each fiscal year, and current reports on Form 6-K that must be furnished to the SEC promptly following certain specified events.

Signet is required under the Listing Rules and the DTRs to notify the UK Listing Authority of:

(1) any information relating to its business which is not public knowledge and may lead to a substantial movement in its share price

Signet Jewelers Limited will be required to comply with the US securities rules applicable to foreign private issuers. These disclosures are set out adjacent.

Signet Jewelers Limited will be required to comply with the DTRs which contain the notification requirements to the UK Listing Authority set out in (1), (2) and (5) opposite (subject to the changes in thresholds described under Disclosure of Interests above).

(DTR 2.2.1);

Provisions currently applicable to

Signet Shareholders

- (2) notifications received by it from persons holding an interest in 3 per cent or more of any class of the Company's share capital (DTR 5.8.12);
- (3) any changes in its board of directors (LR 9.6.11);
- (4) any purchase or redemption by it of its own equity securities (LR 9.6.4);
- (5) interests of Directors in its shares or debentures (DTR 3.1.4); and
- (6) changes in its capital structure (LR 9.6.4).

**Provisions that will be applicable to
Signet Jewelers Limited Shareholders**

Compliance with the Listing Rules

As an issuer with a primary listing on the Official List, Signet is required to comply with Listing Rules 1 to 13.

As an issuer with a secondary listing on the Official List, Signet Jewelers Limited will not be subject to the full super-equivalent obligations that apply to an issuer with a primary listing. In particular, as a company with a secondary listing on the Official List, Signet Jewelers Limited will not be required to, and does not intend to, comply with the provisions of:

Chapter 6 of the Listing Rules relating to additional requirements for listings of equity securities;

Chapter 7 of the Listing Rules relating to the Listing Principles;

Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide a company in understanding and meeting its responsibilities under the Listing Rules;

Chapter 9 of the Listing Rules relating to the continuing obligations of a company after admission (and including the requirements of the Model Code);

Chapter 10 of the Listing Rules relating to significant transactions;

Chapter 11 of the Listing Rules regarding related party transactions;

Chapter 12 of the Listing Rules regarding purchases by a company of its own shares; and

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Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

Combined Code

Under the Listing Rules, Signet is currently required to comply with the relevant provisions of section 1 of the Combined Code or explain any non-compliance with these provisions (LR 9.8.6).

Signet Jewelers Limited, as a non-UK company, will not be required to comply with the Combined Code, but the board of directors of Signet Jewelers Limited will continue to have due regard for the principles of the Combined Code.

PART IV

CONDITIONS TO THE IMPLEMENTATION OF THE SCHEME

1. The Scheme will be conditional upon:
 - (a) approval of the Scheme by a majority in number of those Scheme Shareholders who are present and vote either in person or by proxy at the Court Meeting and who represent 75 per cent or more in value of all Scheme Shares held by such Scheme Shareholders and which are voted at the Court Meeting;
 - (b) the special resolution of the Company set out in the notice of the Scheme GM at Part X of this document, being duly passed by the requisite majority at the Scheme GM. This special resolution includes that, for the purposes of the Scheme:
 - (i) the Directors be authorised to take all such actions as they may consider necessary or appropriate for carrying the Scheme into effect;
 - (ii) the share capital of the Company be reduced by cancelling and extinguishing all of the Scheme Shares;
 - (iii) upon such Capital Reduction taking effect, the authorised capital of the Company be increased to its former amount by the creation of such number of New Signet Shares as shall be equal to the number of Scheme Shares cancelled pursuant to the Capital Reduction and the reserve arising in the books of account of the Company as a result of such Capital Reduction be capitalised and applied in paying up at par these New Signet Shares. These New Signet Shares are to be issued to Signet Jewelers Limited;
 - (iv) the Directors be authorised to make the allotments referred to above; and
 - (v) the Articles of Association be amended to ensure that any Signet Shares issued after the Shareholder Meetings are compulsorily brought within the provisions of the Scheme or, if issued after the Reduction Record Time, are compulsorily transferred to Signet Jewelers Limited in consideration for and conditionally upon Signet Jewelers Limited allotting and issuing to such transferor such number of Signet Jewelers Limited Shares as that transferor would have been entitled to had each such Signet Share been a Scheme Share and also taking into account the Share Capital Consolidation (provided that no such Signet Jewelers Limited Shares shall be allotted or issued prior to the Effective Date).
 - (c) the sanction (with or without modification agreed by the Company and Signet Jewelers Limited) of the Scheme and the confirmation of the Capital Reduction involved therein by the Court and office copies of the Court Orders and the minute of such reduction attached thereto being delivered for registration to the Registrar and, in relation to the Reduction Court Order, being registered; and
 - (d) all necessary approvals or consents for the implementation of the Scheme from all relevant authorities having been obtained by the Company, Signet Jewelers Limited and other Signet Group companies (as relevant).
2. The Company and Signet Jewelers Limited have agreed that the Scheme will not be implemented unless prior to the First Court Hearing the listing of the Signet Jewelers Limited Shares on the NYSE has been approved in principle, subject to notice of issuance, by the NYSE.

PART V

SCHEME OF ARRANGEMENT

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. 5694 of 2008

IN THE MATTER OF SIGNET GROUP PLC

- and -

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

(under Part 26 of the Companies Act 2006)

between

SIGNET GROUP PLC

- and -

THE HOLDERS OF SCHEME SHARES

(as hereinafter defined)

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PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

Articles	the articles of association of the Company
business day	a day on which London Stock Exchange plc is open for the transaction of business
Capital Reduction	the reduction of the share capital of the Company under section 135 of the Companies Act 1985 by cancelling and extinguishing the Scheme Shares in accordance with clause 1 of this Scheme
certificated or in certificated form	not in uncertificated form (that is, not in CREST)
Companies Act	the Companies Act 2006 (to the extent it is in force at the date of publication of this document)
Company	Signet Group plc, a public limited company incorporated in England and Wales with registered number 477692
Court	the High Court of Justice in England and Wales
Court Meeting	the meeting or meetings of the Scheme Shareholders to be convened by order of the Court under Part 26 of the Companies Act to consider and, if thought fit, approve the Scheme, notice of which is set out at Part IX of the Scheme Circular, including any adjournment of the such meeting
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK in accordance with the CREST Regulations
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time
Depository Interest	a depository interest representing an underlying Signet Jewelers Limited Share
DI Depository	Capita IRG Trustees Limited
Effective Date	the date on which this Scheme becomes effective in accordance with its terms

Euroclear UK	Euroclear UK & Ireland Limited, the central securities depository for the United Kingdom, Republic of Ireland, Isle of Man, Jersey and Guernsey
holder	a registered holder, including any person(s) entitled by transmission
New Signet Shares	the new ordinary shares of US\$0.009 each in the capital of the Company to be issued credited as fully paid to Signet Jewelers Limited in accordance with the terms of this Scheme
Overseas Shareholders	Signet Shareholders resident in, or citizens or nationals of, or who have a registered address in, jurisdictions other than the United Kingdom or United States
Reduction Court Order	the order of the Court confirming the Capital Reduction
Reduction Record Time	6.00 p.m. on the business day immediately prior to the date of the Second Court Hearing
Registrar	the Registrar of Companies in England and Wales
Scheme	this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed by the Company and Signet Jewelers Limited
Scheme Circular	the circular to be sent by the Company to Signet Shareholders containing, inter alia, details of the Scheme, the notice of the Court Meeting and the notice of a general meeting of the Company to approve certain resolutions in connection with the Scheme
Scheme Court Order	the order of the Court sanctioning the Scheme under section 899 of the Companies Act
Scheme Record Time	5.00 p.m. on the business day immediately prior to the date of the Effective Date
Scheme Shares	(i) the Signet Shares in issue at the date of this Scheme; (ii) any Signet Shares issued after the date of this Scheme and before the Voting Record Time; and (iii) any Signet Shares issued at or after the Voting Record Time and before the Reduction Record Time either on terms that the original or any subsequent holders of such shares are to be bound by the Scheme, or in respect of which their holders are, or have agreed in writing to be, bound by the Scheme
Scheme Shareholders	the holders of Scheme Shares
Second Court Hearing	the hearing of the Court for the confirmation of the Capital Reduction provided for in clause 1 of this Scheme

Share Capital Consolidation	the consolidation of every twenty common shares of par value US\$0.009 each in the capital of Signet Jewelers Limited into one common share of par value US\$0.18 in the capital of Signet Jewelers Limited, which is expected to take place after this Scheme becomes effective
Signet Jewelers Limited	Signet Jewelers Limited, a company incorporated in Bermuda with registered number 42069
Signet Jewelers Limited Bye-laws	the new bye-laws of Signet Jewelers Limited to be adopted immediately following the Scheme becoming effective
Signet Jewelers Limited Shares	common shares of par value US\$0.009 each in the capital of Signet Jewelers Limited or, following the Share Capital Consolidation, common shares of par value US\$0.18 each in the capital of Signet Jewelers Limited (as the context requires)

Signet Shareholders	persons registered in the Company's register of members as holders of Signet Shares
Signet Shares	ordinary shares of US\$0.009 each in the capital of the Company
Subscriber	Pembroke Company Limited, the existing holder of one Signet Jewelers Limited Share, which took such share as subscriber on the incorporation of Signet Jewelers Limited
uncertificated or in uncertificated form	a share or other security recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
US or United States	the United States of America including each state therein, the District of Columbia, Puerto Rico, the United States Virgin Islands and each of the other territories and possessions of the United States of America
Voting Record Time	6.00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting

and references to clauses and sub-clauses are to clauses and sub-clauses of this Scheme.

- (B) The authorised share capital of the Company at the date of this Scheme is US\$53,368,866.17 and £50,000.00 divided into 5,929,874,019 ordinary shares of US\$0.009 each and 50,000 deferred sterling shares of £1 each. As at the close of business on 20 July 2008 (being the last practicable date prior to the posting of the Scheme Circular), 1,705,541,827 ordinary shares and 50,000 deferred sterling shares had been issued and were credited as fully paid, and the remainder of the ordinary shares were unissued.
- (C) Signet Jewelers Limited was incorporated on 25 June 2008 under the laws of Bermuda as an exempted company under the name Signet Limited, and changed its name to Signet Jewelers Limited on 4 July 2008. The authorised share capital of Signet Jewelers Limited at the date of this Scheme is US\$95,000,000 divided into 10,000,000,000 common shares of par value US\$0.009 each and 500,000,000 undesignated preference shares of par value US\$0.01 each. One common share of par value US\$0.009 has, at the date of this Scheme, been issued to the Subscriber and is credited as fully paid.
- (D) The purpose of this Scheme is to provide for the cancelling and extinguishing of the Scheme Shares and the issue of the New Signet Shares by the Company, in consideration for the issue by Signet Jewelers Limited of Signet Jewelers Limited Shares to Scheme Shareholders on the register of the Company as at the Scheme Record Time.
- (E) Signet Jewelers Limited has agreed to appear by Counsel at the hearing to sanction this Scheme and the hearing to confirm the Capital Reduction and to be bound by, and to undertake to the Court to be bound by, the provisions of this Scheme and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

THE SCHEME

1 Cancellation of the Scheme Shares

- 1.1 The capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares.
- 1.2 Forthwith and contingently upon the said Capital Reduction referred to in sub-clause 1.1 taking effect (and notwithstanding anything to the contrary in the Articles):
- 1.2.1 the authorised share capital of the Company shall be increased to an amount equal to that of the Company immediately prior to the Capital Reduction by the creation of such number of New Signet Shares as shall be equal to the number of Scheme Shares cancelled pursuant to sub-clause 1.1; and
- 1.2.2 the reserve arising in the books of account of the Company as a result of the said Capital Reduction shall be capitalised and applied in paying up in full at par the New Signet Shares created pursuant to sub-clause 1.2.1, which shall be allotted and issued credited as fully paid (free from all liens, charges, encumbrances, rights of pre-emption and any third party rights whatsoever) to Signet Jewelers Limited or its nominee(s) in consideration for the allotment and issue of Signet Jewelers Limited Shares as set out in clause 2.

2 Consideration for cancellation of the Scheme Shares

- 2.1 In consideration for the cancellation of the Scheme Shares and the allotment and issue of the New Signet Shares to Signet Jewelers Limited or its nominee(s) as provided in clause 1, Signet Jewelers Limited shall (subject as hereinafter provided) allot and issue to Scheme Shareholders (as appearing in the register of members of the Company at the Scheme Record Time) one Signet Jewelers Limited Share, credited as fully paid at par, for every Scheme Share held by them at the Scheme Record Time.
- 2.2 The Signet Jewelers Limited Shares to be issued pursuant to sub-clause 2.1 of this Scheme shall rank *pari passu* in all respects and in full for all dividends or distributions made, paid or declared after the Effective Date, in accordance with the Signet Jewelers Limited Bye-laws, on the share capital of Signet Jewelers Limited. Signet Jewelers Limited Shares issued pursuant to sub-clause 2.1 of this Scheme shall be issued with the rights and subject to the restrictions set out in the Signet Jewelers Limited Bye-laws.

3 Overseas Shareholders

- 3.1 The provisions of clause 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any holder of Scheme Shares who is (or whom the Company or Signet Jewelers Limited reasonably believes to be) an Overseas Shareholder, the Company or Signet Jewelers Limited is advised that the allotment and/or issue of Signet Jewelers Limited Shares pursuant to clause 2 would or might infringe the laws of any jurisdiction outside the United Kingdom or the United States or would or might require the Company or Signet Jewelers Limited to comply with any governmental or other consent or any registration, filing or other formality with which the Company or Signet Jewelers Limited is unable to comply with or compliance with which the Company or Signet Jewelers Limited regards as unduly onerous, the Company or Signet Jewelers Limited shall (unless such shareholder satisfies the Company or Signet Jewelers Limited that no such infringement or requirement would apply) be authorised by the Articles to appoint any person to execute as transferor an instrument of transfer transferring, prior to the Scheme Record Time, the Scheme Shares held by such shareholder to a nominee to hold such Scheme Shares on trust for that holder, on terms that such nominee shall sell the Signet Jewelers Limited Shares, if any, that it receives pursuant to this Scheme in respect of such Scheme Shares as soon as practicable following the Effective Date.
- 3.2

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Any sale of Signet Jewelers Limited Shares under sub-clause 3.1 shall be carried out at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale of Signet Jewelers Limited Shares (after the deduction of all expenses and commissions incurred in connection with such sale, including value added tax, if any) shall be paid to the persons who would, but for sub-clause 3.1, have been entitled to receive such Signet Jewelers Limited Shares in accordance with this Scheme. To give effect to any sale under sub-clause 3.1, the person appointed by the Company or Signet Jewelers Limited in accordance with sub-clause 3.1 shall be authorised as attorney and/or agent on behalf of the holder concerned to execute and deliver as transferor an instrument or instruction of transfer and to give such instructions and to do all other things which he may consider necessary or

expedient in connection with such sale. In the absence of bad faith or wilful default, none of the Company, Signet Jewelers Limited or the person so appointed shall have any liability for any loss or damage arising as a result of the timing or terms of such sale or for any alleged insufficiencies of the terms or timing of such sale arising.

4 Issue of Signet Jewelers Limited Shares

On the Effective Date, Signet Jewelers Limited will allot and issue the Signet Jewelers Limited Shares to be allotted and issued pursuant to sub-clause 2.1 to the relevant Scheme Shareholders as appearing in the register of members of the Company at the Scheme Record Time and will make the requisite entries in the register of members of Signet Jewelers Limited to reflect the allotment and issue of such shares.

5 Settlement

5.1 Contingently upon the allotment and issue of Signet Jewelers Limited Shares pursuant to clause 4 and the requisite entries having been made in the register of members of Signet Jewelers Limited, settlement of the Signet Jewelers Limited Shares shall be effected as follows:

5.1.1 if the Share Capital Consolidation has not been effected by 6.00 p.m. on the date three business days after the Effective Date, all of the Signet Jewelers Limited Shares will be settled in certificated form in the manner set out in sub-clause 5.3; and

5.1.2 if the Share Capital Consolidation has been effected by 6.00 p.m. on the date three business days after the Effective Date, the Signet Jewelers Limited Shares will be settled as set out in sub-clause 5.2.

5.2 Where Signet Jewelers Limited Shares are to be settled pursuant to sub-clause 5.1.2 it shall be on the basis of one Signet Jewelers Limited Share for every twenty Signet Jewelers Limited Shares issued under clause 4 and, therefore, for every twenty Scheme Shares and:

5.2.1 in the case of Scheme Shares which at the Scheme Record Time are in certificated form, Signet Jewelers Limited shall, not later than ten business days after the Effective Date, send by post to the allottees of the Signet Jewelers Limited Shares, share certificates in respect of such shares;

5.2.2 in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form, the relevant amount of Depository Interests will be credited to the CREST stock accounts of the holders of such Scheme Shares or the CREST stock accounts of their nominees by the DI Depository on or about the Effective Date; and

5.2.3 any fractional entitlements arising as a result of the Share Capital Consolidation will be aggregated and sold in the market and the net proceeds of sale will be paid to the relevant holders in due proportions by cheque in accordance with sub-clause 5.5 on or as soon as reasonably practicable after, and in any event within 14 days of, the Effective Date,

provided that, in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form Signet Jewelers Limited reserves the right to settle all or part of the relevant Signet Jewelers Limited Shares in the manner set out in sub-clause 5.2.1 if, for any reason, it wishes to do so.

5.3 Where Signet Jewelers Limited Shares are to be settled in accordance with sub-clause 5.1.1, Signet Jewelers Limited shall not later than ten business days after the Effective Date, send by post to the allottees of the Signet Jewelers Limited Shares, share certificates

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in respect of such shares.

- 5.4 All deliveries of notifications, statements, certificates or cheques shall be effected by sending the same by first class post in prepaid envelopes addressed to the persons respectively entitled thereto at their respective addresses as appearing in the register of members of the Company at the Scheme Record Time or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in such register at the Scheme Record Time (except, in either case, as otherwise directed in writing) or in accordance with any special instructions regarding communications, and none of Signet Jewelers Limited, the Company or the person appointed by Signet Jewelers Limited in accordance with sub-clause 3.1 shall be responsible for any loss or delay in the transmission of any notifications, statements, certificates or cheques sent in accordance with this sub-clause 5.4, which shall be sent at the risk of the persons entitled thereto.
- 5.5 All cheques shall be made payable to the persons respectively entitled to the moneys represented thereby (or, in the case of joint holders, to all joint holders whose names stand in the register of

members of the Company in respect of such joint holding at the Scheme Record Time) and the encashment of any such cheque shall be a complete discharge to the Company for the moneys represented thereby.

5.6 The provisions of this clause 5 shall be subject to any prohibition or condition imposed by law.

6 Certificates and cancellations

With effect from and including the Effective Date:

6.1 all certificates representing Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised therein and every Scheme Shareholder shall be bound at the request of Signet Jewelers Limited to deliver up the same to Signet Jewelers Limited or as it may direct or to destroy the same; and

6.2 Euroclear UK shall be instructed to cancel the entitlements to Scheme Shares of Scheme Shareholders in uncertificated form.

7 Mandates and other instructions

All instructions to the Company in force at the Scheme Record Time relating to the Scheme Shares shall, and unless and until otherwise revoked or amended, be deemed as from the Effective Date to be valid and effective mandates and instructions to Signet Jewelers Limited in relation to the Signet Jewelers Limited Shares issued in respect thereof.

8 Effective Date

8.1 This Scheme shall become effective as soon as office copies of the Scheme Court Order and the Reduction Court Order shall have been delivered to the Registrar for registration and, in the case of the Reduction Court Order, has been registered by the Registrar.

8.2 Unless this Scheme shall become effective on or before 31 December 2008, or such later date, if any, as the Company and Signet Jewelers Limited may agree and the Court may allow, this Scheme shall never become effective.

9 Modification

The Company and Signet Jewelers Limited may jointly consent on behalf of all concerned to any modification of, or addition to, this Scheme or to any condition which the Court may approve or impose.

Dated 24 July 2008

PART VI

IMPORTANT INFORMATION FOR SHAREHOLDERS

This Part VI highlights some of the key aspects of the Proposal which could materially affect Signet Jewelers Limited and the Signet Jewelers Limited Shares. The items below should be considered together with all other information contained in this document and Signet Shareholders are urged to read this document in its entirety.

1 General principles and application of the Takeover Code

As noted at paragraph 7 of Part II of this document, as Signet Jewelers Limited is incorporated in Bermuda, once the Scheme has become effective, the Takeover Code will not apply to Signet Jewelers Limited.

1.1 *The general principles of the Takeover Code*

- (1) All holders of the securities of an offeree company of the same class must be afforded equivalent treatment; moreover, if a person acquires control of a company, the other holders of securities must be protected.
- (2) The holders of the securities of an offeree company must have sufficient time and information to enable them to reach a properly informed decision on the bid; where it advises the holders of securities, the board of directors of the offeree company must give its views on the effects of implementation of the bid on employment, conditions of employment and the locations of the company's places of business.
- (3) The board of directors of an offeree company must act in the interests of the company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the bid.
- (4) False markets must not be created in the securities of the offeree company, of the offeror company or of any other company concerned by the bid in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted.
- (5) An offeror must announce a bid only after ensuring that it can fulfil in full any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration.
- (6) An offeree company must not be hindered in the conduct of its affairs for longer than is reasonable by a bid for its securities.

1.2 *Detailed application of the Takeover Code*

The following is a summary of key provisions of the Takeover Code which apply to transactions to which the Takeover Code applies. **You should note that, if the Scheme is implemented, you will lose the protections afforded by the Takeover Code.**

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(a) Equality of treatment

General principle 1 of the Takeover Code states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment. Furthermore, rule 16 of the Takeover Code requires that, except with the consent of the Panel, special arrangements may not be made with certain shareholders in the company if there are favourable conditions attached which are not being extended to all shareholders.

(b) Information to shareholders

General principle 2 requires that holders of securities of an offeree company must have sufficient time and information to enable them to reach a properly informed decision on a bid. Consequently, a document setting out full details of an offer must be sent to the offeree company's shareholders.

(c) The opinion of the offeree board of directors and independent advice

The board of directors of the offeree company is required by rule 3.1 of the Takeover Code to obtain competent independent advice on an offer and the substance of such advice must be made known to its shareholders. Rule 25.1 of the Takeover Code requires that the board of directors of the offeree company must circulate its opinion on the offer and its reasons for forming that opinion. That opinion must include the board's views on: the effects of implementation of the offer on all the company's interests, including, specifically, employment; and on the offeror's strategic plans for the offeree company and their likely repercussions on employment and the locations of the offeree company's places of business.

The circular from the offeree company must also deal with other matters such as interests and recent dealings in the securities of the offeror and the offeree company by relevant parties and whether the directors of the offeree company intend to accept or reject the offer in respect of their own beneficial shareholdings. Rule 20.1 of the Takeover Code states that information about the companies involved in the offer must be made equally available to all offeree company shareholders as nearly as possible at the same time and in the same manner.

(d) Option holders and holders of convertible securities or subscription rights

Rule 15 of the Takeover Code provides that, when a Takeover Code offer is made for voting equity share capital or other transferable securities carrying voting rights and the offeree company has convertible securities outstanding, the offeror must make an appropriate offer or proposal to the holders of such outstanding convertible securities to ensure their interests are safeguarded. Rule 15 also applies in relation to holders of options and other subscription rights. If the Scheme is implemented, these protections will be lost.

Your attention is also drawn to Part III of this document where key differences between the rights of a shareholder of Signet and that of shareholders in Signet Jewelers Limited are summarised.

2 Indices

As inclusion in the S&P US indices is at the discretion of the S&P Index Committee, there can be no guarantee that, despite the listing of the Signet Jewelers Limited Shares on the NYSE, Signet Jewelers Limited will be included in any S&P US indices.

The Signet Shares are currently included in the FTSE 250 list. If, as intended, the Signet Jewelers Limited Shares have a primary listing on the NYSE, they will not be eligible for inclusion in the FTSE 250 list.

PART VII

ADDITIONAL INFORMATION

1 Responsibility

The Directors, whose names are set out in paragraph 2 of this Part VII, each accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Names of Directors

The Directors, and their respective positions, are as follows:

Name	Position Held
Sir Malcolm Williamson	Chairman and Non-executive Director
Robert Anderson	UK Chief Executive and Executive Director
Robert Blanchard	Non-executive Director
Walker Boyd	Group Finance Director and Executive Director
Terry Burman	Group Chief Executive and Executive Director
Dale Hilpert	Non-executive Director
Lesley Knox	Non-executive Director
Mark Light	US Chief Executive and Executive Director
Robert Walker	Non-executive Director
Russell Walls	Non-executive Director

The business address of each of the Directors is at Signet's registered office. Signet, whose registered number is 477692, has its registered office at 15 Golden Square, London W1F 9JG.

3 Incorporation of Signet

Signet was incorporated on 27 January 1950 under the Companies Act 1948 as a private limited company with the name Ratners (Jewellers) Limited. Signet was re-registered under the Companies Acts 1948 to 1980 as a public limited company with the name Ratners (Jewellers) Public Limited Company on 9 February 1982. Signet's name was changed to Ratners Group plc on 9 February 1987 and to its current name on 10 September 1993.

Signet is registered for VAT with VAT Registration Number 223 0009 24.

4 Incorporation of Signet Jewelers Limited

Signet Jewelers Limited was incorporated under the laws of Bermuda on 25 June 2008. Signet Jewelers Limited's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. Once the Scheme has become effective the Signet Jewelers Limited share owned by the Subscriber will be purchased by Signet Jewelers Limited at nominal value and then cancelled.

5 Directors and other interests

The following tables set forth certain information with respect to interests in Signet Shares that are entitled to vote at the Shareholder Meetings for: each person or entity who Signet knows is, directly or indirectly, interested in more than 3 per cent of Signet's Shares; and each of the Directors.

- 5.1 The percentage of issued share capital of Signet that each of the following Signet Shareholders is interested in is based on 1,705,541,827 Signet Shares in issue as of 20 July 2008 (being the latest practicable date prior to publication of this document). It is anticipated that each Signet Shareholder shall maintain the same percentage ownership in Signet Jewelers Limited as it had in Signet at the Scheme Record Time subject to the impact of fractional entitlements.

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Directors interests in shares:

Director	Number of Signet Shares
Robert Anderson	20,907
Robert Blanchard	10,010
Walker Boyd	542,798
Terry Burman	808,601
Dale Hilpert	20,000
Lesley Knox	30,870
Mark Light	76,454
Robert Walker	19,308
Russell Walls	30,000
Sir Malcolm Williamson	187,375

Directors interests in share options:

Director		Number of Signet Shares under option	Exercise price	Date from which exercisable⁽¹⁾	Expiry date⁽¹⁾
Robert Anderson	(2)	232,558	75.25p	2.5.04	2.5.11
	(2)	160,416	120.00p	11.4.05	11.4.12
	(2)	322,188	82.25p	25.4.06	25.4.13
	(3)	251,685	111.25p	5.4.07	5.4.14
	(4)	35,452	£1 total	15.4.04	4.5.11
	(3)	261,989	112.60p	12.4.08	12.4.15
	(3)	23,140	£1 total	15.4.05	26.4.12
	(3)	221,586	111.92p	11.4.09	11.4.16
	(5)	212,184	124.42p	24.4.10	24.4.17
	(3)	12,765	75.20p	1.1.11	30.6.11
		430,523	65.00p	14.4.11	14.4.18
Total		2,164,486	97.99p⁽⁶⁾		
Walker Boyd	(2)	611,842	57.00p	5.5.03	5.5.10
	(2)	179,401	75.25p	2.5.04	2.5.11
	(2)	225,000	120.00p	11.4.05	11.4.12
	(3)	397,435	97.50p	14.7.06	14.7.13
	(3)	444,943	111.25p	5.4.07	5.4.14

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	(3)	466,252	112.60p	12.4.08	12.4.15
	(3)	412,794	111.92p	11.4.09	11.4.16
	(4)	409,901	124.42p	24.4.10	24.4.17
	(5)	12,765	75.20p	1.1.11	30.6.11
	(3)	808,153	65.00p	14.4.11	14.4.18
Total		3,968,486	95.01p⁽⁶⁾		
Terry Burman	(3)	3,807,426	\$1.59	14.7.06	14.7.13
	(3)	3,129,267	\$2.05	5.4.07	5.4.14
	(3)	3,193,395	\$2.12	12.4.08	12.4.15
	(5)	5,170	\$1.86	1.11.08	31.1.09
	(3)	2,936,060	\$1.96	11.4.09	11.4.16
	(3)	2,530,119	\$2.49	24.4.10	24.4.17
		5,233,064	\$1.24	14.4.11	14.4.18
Total		20,834,501	\$1.90⁽⁶⁾		
Mark Light	(2)	290,191	\$1.72	11.4.05	11.4.12
	(3)	329,267	\$2.05	5.4.07	5.4.14
	(3)	339,032	\$2.12	12.4.08	12.4.15
	(5)	5,170	\$1.86	1.11.08	31.1.09
	(3)	572,889	\$1.96	11.4.09	11.4.16
	(3)	514,055	\$2.49	24.4.10	24.4.17
		1,032,257	\$1.24	14.4.11	14.4.18
Total		3,082,861	\$1.92⁽⁶⁾		

(1) The dates from which options are exercisable and the expiry dates are the dates that normally apply. Other dates apply in certain circumstances, such as an option holder ceasing to be employed. Options that have not already vested will only vest and become exercisable on the dates detailed subject to satisfaction of the specified performance criteria.

(2), (3), (4) and (5) The options marked (2) were granted under the Signet 1993 Executive Share Option Scheme, those marked (3) were granted under the Signet International Share Option Plan 2003, the Signet UK Inland Revenue Approved Share Option

Plan 2003 and the Signet US Share Option Plan 2003, those marked (4) were awarded under the Signet Long-Term Incentive Plan 2000 and those marked (5) were granted under the terms of the Signet Inland Revenue Approved Saving Related Share Option Scheme for UK Employees 1998 or, in the case of Terry Burman and Mark Light, the US Section 423 Plan.

(6) Weighted averages of the exercise prices per share for the options held at year end.

Three per cent shareholders:

Name of shareholder	Number of Signet Shares	Percentage of total voting rights in Signet
Harris Associates L.P.	290,401,124	17.03
The Capital Group Companies, Inc.	153,312,508	8.98
Sprucegrove Investment Management Limited	122,028,015	7.16
Artisan Partners Limited Partnership	86,935,333	5.10
BriTel Fund Trustees Limited	85,667,185	5.02
Legal & General Investment Management Limited	81,535,937	4.78
Sanderson Asset Management Limited	71,694,426	4.20
First Pacific Advisors LLC	70,896,000	4.16

5.2 Save as set out in this paragraph 5, no Director (nor any person connected with them within the meaning of section 252 of the Companies Act): (a) has any interests (beneficial or non-beneficial) in the share capital of Signet; or (b) holds an interest in any other securities of the Signet Group.

5.3 Save as disclosed in this paragraph 5, the Directors are not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) which will represent 3 per cent or more of the total voting rights in respect of the issued ordinary share capital of Signet.

5.4 There are no arrangements under which any of the Directors has waived or agreed to waive future emoluments or under which the total emoluments of any Directors will be varied in consequence of the Proposal.

6 Accounting treatment

The Scheme of Arrangement described herein is not considered an acquisition or disposal for accounting purposes and as a result the assets and liabilities of the Signet Group are not materially affected by the proposed transaction. As described elsewhere, apart from the impact of fractional interests, the proportional interest of Signet Jewelers Limited Shareholders in Signet Jewelers Limited will be the same as their previous interest in Signet.

7 Costs and expenses of transaction

The total costs and expenses (exclusive of VAT) payable by the Company in connection with the Scheme and the proposed listing of the Signet Jewelers Limited Shares on the NYSE and Official List are estimated to be approximately US\$10.5 million. Given the inter relationship between the Scheme and the proposed listings on the NYSE and the Official List, it is not practicable to separate costs attributable solely to the Scheme and to these listings.

8 Consent

Lazard & Co., Limited has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.

9 Time

In this document, references to time are references to London time unless otherwise expressly provided.

10 Documents available for inspection

Copies of the following documents may be inspected at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS during usual business hours on any weekday (Saturdays, Sundays, public holidays excepted) from the date of this document until the earlier of the Effective Date or 1 January 2009 and at Café Royal, 68 Regent Street, London W1B 5EL from at least fifteen minutes prior to the start of the Court Meeting until the conclusion of the Scheme GM:

- 10.1 the memorandum of association of Signet and the Articles and the full terms of the proposed amendments to the Articles;

- 10.2 the memorandum of association of Signet Jewelers Limited and the Signet Jewelers Limited Bye-laws;
- 10.3 the audited consolidated accounts of Signet for the periods ended 2 February 2008, 3 February 2007 and 28 January 2006;
- 10.4 the written consent referred to in paragraph 8 of this Part VII;
- 10.5 this document; and
- 10.6 the Signet Jewelers Limited Share Plans referred to in the second resolution in the notice of the Scheme GM appearing at Part X of this document.

24 July 2008

PART VIII

DEFINITIONS

The following definitions apply throughout this document (other than Part V of this document and in the notices of the Shareholder Meetings in Parts IX and X of this document), unless the context otherwise requires:

or euros	the single currency of the participating member states of the European Union
£ or pounds sterling	the lawful currency of the UK being pounds sterling and p or pence shall mean one one-hundredth of one pound sterling
ADS Depositary	Deutsche Bank Trust Company Americas
ADS Record Date	close of business in New York on 17 July 2008
ADS Voting Instruction Card	the voting instruction card to be sent to Signet ADS holders in connection with the Court Meeting and the Scheme GM
Articles or Articles of Association	the articles of association of Signet
Australian Corporations Act	the Corporations Act 2001 (Cwth) of Australia
Bermuda Companies Act	the Companies Act 1981 of Bermuda, as amended
Board	the board of directors of Signet
business day	a day on which the London Stock Exchange is open for the transaction of business
Capita IRG Trustees Limited	Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Capita Registrars	Capita Registrars (a trading name of Capita Registrars Limited), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Capital Reduction	the proposed reduction of share capital of Signet provided for by the Scheme
certificated or in certificated form	not in uncertificated form (that is, not in CREST)

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Certificated Holders	Signet Shareholders who hold Signet Shares in certificated form
Combined Code	the Combined Code on Corporate Governance
Companies Act	the Companies Act 2006 (to the extent it is in force at the date of publication of this document)
Companies Acts	the Companies Act 1985 (as amended) and the Companies Act (to the extent it is in force at the date of publication of this document)
Company or Signet	Signet Group plc, a public limited company incorporated in England and Wales with registered number 477692 and, as the context requires, its subsidiaries and subsidiary undertakings
Court	the High Court of Justice in England and Wales
Court Meeting	the meeting or meetings of the Scheme Shareholders to be convened by order of the Court under Part 26 of the Companies Act to consider and, if thought fit, approve the Scheme, notice of which is set out at Part IX of this document including any adjournment of such meeting
Court Orders	the Scheme Court Order and the Reduction Court Order
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK in accordance with the CREST Regulations
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time)

CREST Transfer Form	the form of stock transfer in use from time to time within CREST by which a Scheme Shareholder holding Scheme Shares in certificated form can dematerialise into uncertificated form
Deposit Agreement	the deposit agreement dated 23 September 2004, as amended and restated on 14 October 2004, between Signet, the ADS Depositary and the Signet ADS holders, containing the terms applicable to the Signet ADSs
Depositary Interest	a depositary interest representing an underlying Signet Jewelers Limited Share
DI Depositary	Capita IRG Trustees Limited
DI Depositary Nominee	Capita IRG Trustees Nominees Limited
Director or Directors	a director or the directors of Signet
Disclosure and Transparency Rules or DTRs	the disclosure and transparency rules made under Part 6 of the FSMA
DTC	the Depositary Trust Company
Effective Date	the date on which the Scheme becomes effective in accordance with its terms
Euroclear UK	Euroclear UK & Ireland Limited, the central securities depository for the United Kingdom, Republic of Ireland, Isle of Man, Jersey and Guernsey
Exchange Act	the US Securities Exchange Act of 1934, as amended
Exchange Agent	American Stock Transfer & Trust Company
First Court Hearing	the hearing of the Court for the sanction of the Scheme
FSA	the Financial Services Authority (United Kingdom)
FSMA	the Financial Services and Markets Act 2000 of the United Kingdom, as amended
HMRC	Her Majesty's Revenue & Customs
holder	a registered holder, including any person(s) entitled by transmission

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IRS	the US Internal Revenue Service
ISA	an individual savings account in the UK
Listing Principles	the high level enforceable principles contained in chapter 7 of the Listing Rules
Listing Rules or LRs	the listing rules made by the UK Listing Authority under the FSMA
London Stock Exchange or LSE	London Stock Exchange plc
Model Code	the Model Code on directors' dealings in securities set out in Listing Rule 9, Annex 1
New Signet Shares	the ordinary shares of US\$0.009 each in the capital of Signet to be issued credited as fully paid to Signet Jewelers Limited in accordance with the terms of the Scheme
NYSE	New York Stock Exchange LLC
Official List	the official list of UK listed securities maintained by the UK Listing Authority pursuant to the FSMA
Overseas Shareholders	Signet Shareholders resident in, or citizens or nationals of, or who have a registered address in, jurisdictions other than the United Kingdom or the United States

Panel	the Panel on Takeovers and Mergers
Proposal	the proposed Scheme of Arrangement, the Share Capital Consolidation, the delisting of the Signet Shares from the Official List, the cancellation of the existing quotation of Signet ADSs on the NYSE and the listing of the Signet Jewelers Limited Shares on the NYSE and the Official List
Prospectus Directive	Directive 2003/71/EC, implemented in the UK by the Prospectus Rules
Prospectus Rules	the prospectus rules made under Part VI of the FSMA
Reduction Court Order	the order of the Court confirming the Capital Reduction
Reduction Record Time	6.00 p.m. on the business day immediately prior to the date of the Second Court Hearing
Registrar	the Registrar of Companies in England and Wales
Remuneration Committee	the remuneration committee established by the Board to consider and make recommendations to the Board as to the remuneration of the Directors and senior executives
S&P Index Committee	the committee responsible for monitoring the S&P US indices
Scheme or Scheme of Arrangement	the scheme of arrangement proposed to be made under Part 26 of the Companies Act between Signet and the holders of Scheme Shares as set out in Part V of this document, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Signet and Signet Jewelers Limited
Scheme Court Order	the order of the Court sanctioning the Scheme under section 899 of the Companies Act
Scheme GM	the general meeting of Signet, notice of which is set out at Part X of this document, and any adjournment thereof
Scheme Record Time	5.00 p.m. on the business day immediately prior to the date of the Effective Date
Scheme Shares	<ul style="list-style-type: none">(i) the Signet Shares in issue at the date of this Scheme;(ii) any Signet Shares issued after the date of this Scheme and before the Voting Record Time; and(iii) any Signet Shares issued at or after the Voting Record Time and before the Reduction Record Time either on terms that the original or any subsequent holders of such shares are to be bound by the Scheme, or in respect of which their holders are, or have agreed in writing to be, bound by the Scheme

Scheme Shareholders	the holders of Scheme Shares
SDRT	stamp duty reserve tax
Second Court Hearing	the hearing of the Court for the confirmation of the Capital Reduction provided for by the Scheme
Securities Act	the US Securities Act of 1933, as amended
SEC	the US Securities and Exchange Commission
Share Capital Consolidation	the consolidation of Signet Jewelers Limited Shares as described in this document, being the consolidation effective immediately after the Scheme becomes effective, conditional on the consolidated shares being listed on the NYSE, of every twenty Signet Jewelers Limited Shares issued pursuant to the Scheme into one Signet Jewelers Limited Share

Shareholder Meetings	the Court Meeting and the Scheme GM
Signet or Company	Signet Group plc, a public limited company incorporated in England and Wales with registered number 477692 and, as the context requires, its subsidiaries and subsidiary undertakings
Signet ADSs	American Depositary Shares, each representing ten Signet Shares and evidenced by Signet American Depositary Receipts quoted on NYSE
Signet ADS holders	holders (including beneficial holders) of Signet ADSs
Signet Group	Signet and its subsidiaries and subsidiary undertakings and, after the Scheme becomes effective, Signet Jewelers Limited and its subsidiaries and subsidiary undertakings (as the context requires)
Signet Jewelers Limited	Signet Jewelers Limited, a company incorporated in Bermuda with registered number 42069
Signet Jewelers Limited Bye-laws	the new bye-laws of Signet Jewelers Limited to be adopted immediately following the Scheme becoming effective
Signet Jewelers Limited Remuneration Committee	
	the remuneration committee established by the board of directors of Signet Jewelers Limited to consider and make recommendations to the board of directors of Signet Jewelers Limited as to the remuneration of the directors and senior executives of Signet Jewelers Limited
Signet Jewelers Limited Share Plans	the Signet Jewelers Limited Long Term Incentive Plan 2008, the Signet Jewelers Limited International Share Option Plan 2008, the Signet Jewelers Limited US Stock Option Plan 2008, the Signet Jewelers Limited UK Approved Share Option Plan 2008, the Signet Jewelers Limited Sharesave Plan 2008, the Signet Jewelers Limited Irish Sharesave Plan 2008 and the Signet Jewelers Limited US Employee Stock Savings Plan 2008
Signet Jewelers Limited Shareholders	persons registered in Signet Jewelers Limited's register of members as holders of Signet Jewelers Limited Shares
Signet Jewelers Limited Shares	common shares of par value US\$0.009 each in the capital of Signet Jewelers Limited, or following the Share Capital Consolidation, common shares of par value US\$0.18 each in the capital of Signet Jewelers Limited (as the context requires)
Signet Share Plans	the Signet 1993 Executive Share Option Scheme, the Signet UK Inland Revenue Approved Share Option Plan 2003, the Signet US Share Option Plan 2003, the Signet International Share Option Plan 2003, the Signet 2005 Long-Term Incentive Plan, the Signet Sharesave Scheme, the Signet Sharesave Scheme (Republic of Ireland) and the Signet Employee Stock Savings Plan under section 423 of the US Code
Signet Shareholders	persons registered in Signet's register of members as holders of Signet Shares

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Signet Shares	ordinary shares of US\$0.009 each in the capital of Signet
Subscriber	Pembroke Company Limited, the existing holder of one Signet Jewelers Limited Share, which took such share as subscriber on the incorporation of Signet Jewelers Limited
subsidiary undertaking	a subsidiary undertaking as that term is defined in section 1162(2) of the Companies Act
Takeover Code	the City Code on Takeovers and Mergers
UK Listing Authority	the FSA acting in its capacity as the competent authority for listing in the United Kingdom under Part VI of the FSMA

uncertificated or in uncertificated form	a share or other security recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America including each state therein, the District of Columbia, Puerto Rico, the United States Virgin Islands and each of the other territories and possessions of the United States of America
US Code	the United States Internal Revenue Code of 1986 (as amended)
US GAAP	the generally accepted accounting principles in the US
US\$, US dollars and \$	United States dollars and US cent shall mean one one-hundredth of one US dollar
Voting Record Time	6.00 p.m. on the day that is two days before the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting

PART IX

NOTICE OF COURT MEETING

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
REGISTRAR JAQUES**

No. 5694 of 2008

IN THE MATTER OF SIGNET GROUP PLC

and

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that by an Order dated 21 July 2008 made in the above matters the Court has directed a meeting to be convened of the holders of Scheme Shares (as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the **Scheme of Arrangement**) proposed to be made between Signet Group plc (the **Company**) and the holders of Scheme Shares and that such meeting will be held at Café Royal, 68 Regent Street, London W1B 5EL on Tuesday 19 August 2008 at 11.30 a.m., at which place and time all holders of Scheme Shares are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this notice forms part.

Holders of Scheme Shares may vote in person at the said meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A BLUE form of proxy for use in connection with the meeting is enclosed with this notice. Completion and return of the BLUE form of proxy will not prevent a holder of Scheme Shares who is otherwise entitled to attend and vote at the meeting from attending and voting in person at the meeting, or at any adjournment thereof.

Holders of Scheme Shares who hold their Scheme Shares through CREST may appoint a proxy electronically by making a CREST electronic proxy appointment.

Holders of Scheme Shares are entitled to appoint a proxy in respect of some or all of their Scheme Shares. A space has been included in the BLUE form of proxy to allow holders of Scheme Shares to specify the number of Scheme Shares in respect of which that proxy is appointed. Holders of Scheme Shares who return the BLUE form of proxy duly executed but leave this space blank will be deemed to have appointed the proxy in respect of all of their Scheme Shares.

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Holders of Scheme Shares are also entitled to appoint more than one proxy. Holders of Scheme Shares who wish to appoint more than one proxy in respect of their shareholding should contact the Company's registrar, Capita Registrars, for further BLUE forms of proxy or photocopy the BLUE form of proxy as required. Such holders of Scheme Shares should also read the notes in respect of the appointment of multiple proxies set out in the Notice of General Meeting set out in Part X of the document of which this notice forms part.

It is requested that the BLUE form of proxy (together with any power of attorney or other authority under which it is signed, or a notarially certified copy of such power or authority) be lodged with the Company's registrar, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the said meeting but, if forms are not so lodged they may be handed to the chairman of the meeting before the start of the meeting.

In the case of joint holders of Scheme Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

Entitlement to attend and vote at the meeting or any adjournment thereof and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6.00 p.m. on the day which is two days before the date of the meeting or adjourned meeting (as the case may be). In each case, changes to the register of members of the Company after such time shall be disregarded.

By the said Order, the Court has appointed Sir Malcolm Williamson or, failing him, Russell Walls or, failing him Walker Boyd, to act as chairman of the said meeting and has directed the chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 24 July 2008

Herbert Smith LLP

Exchange House

Primrose Street

London EC2A 2HS

Solicitors to the Company

PART X

NOTICE OF GENERAL MEETING

Signet Group plc

(the **Company**)

(Registered in England and Wales with registered no. 477692)

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at Café Royal, 68 Regent Street, London W1B 5EL on Tuesday 19 August 2008 at 11.45 a.m. (or as soon thereafter as the Court Meeting (as defined in the document of which this Notice forms part) shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolutions, as a special resolution, in respect of resolution 1, and as an ordinary resolution, in respect of resolution 2:

SPECIAL RESOLUTION

- 1 THAT for the purpose of giving effect to the scheme of arrangement dated 24 July 2008 between the Company and the holders of Scheme Shares (as defined in the said scheme of arrangement), a print of which has been produced to this meeting and for the purpose of identification signed by the chairman of the meeting, in its original form or subject to any modification, addition or condition approved or imposed by the Court and agreed to by the Company and Signet Jewelers Limited (the **Scheme**):
 - 1.1 the directors of the Company be authorised to take all such actions as they may consider necessary or appropriate for carrying the Scheme into effect;
 - 1.2 the share capital of the Company be reduced by cancelling and extinguishing all the Scheme Shares;
 - 1.3 subject to, and forthwith upon the said reduction of capital (the **Capital Reduction**) taking effect and notwithstanding anything to the contrary in the articles of association of the Company:
 - 1.3.1 the authorised share capital of the Company be increased to its former amount by the creation of such number of new ordinary shares of US\$0.009 each (the **New Signet Shares**) as shall be equal to the number of the Scheme Shares cancelled pursuant to paragraph 1.2 above;
 - 1.3.2 the reserve arising in the books of account of the Company as a result of the Capital Reduction be capitalised and applied in paying up in full at par the New Signet Shares of US\$0.009 each so created, such New Signet Shares to be allotted and issued credited as fully paid to Signet Jewelers Limited or its nominee(s); and
 - 1.3.3 the directors of the Company be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to allot the new ordinary shares referred to in sub-paragraph 1.3.1 above, provided that: (1) the maximum

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aggregate nominal amount of shares which may be allotted under this authority shall be the aggregate nominal amount of the new ordinary shares created pursuant to sub-paragraph 1.3.1 above; (2) this authority shall expire (unless previously revoked, varied or renewed) on the fifth anniversary of this resolution; and (3) this authority shall be in addition and without prejudice to any other authority under the said section 80 previously granted and in force on the date on which this resolution is passed; and

- 1.4 with effect from the passing of this resolution, the articles of association of the Company be amended by the inclusion of the following new article 146:

146 Scheme of Arrangement

- (A) In this Article 146, the **Scheme** means the scheme of arrangement dated 24 July 2008 between the Company and the holders of Scheme Shares (as defined in the Scheme) under Part 26 of the Companies Act in its original form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed by the Company and Signet Jewelers Limited, a company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) with limited liability under number 42069 (**Signet Jewelers Limited**) and (save as defined in this Article) expressions defined in the Scheme shall have the same meanings in this Article.
- (B) Notwithstanding any other provision of these Articles, if the Company allots and issues any Signet Shares or new Signet Shares (other than to Signet Jewelers Limited or its nominee(s)) after the adoption of this Article and before the Reduction Record Time, such shares shall be allotted and issued subject to the

terms of the Scheme and shall be Scheme Shares for the purposes thereof and the holders of such shares and any subsequent holder other than Signet Jewelers Limited or any nominee(s) of Signet Jewelers Limited shall, upon the Scheme becoming effective, be bound by the terms of the Scheme.

- (C) Notwithstanding any other provision of these Articles and subject to the Scheme becoming effective and paragraph (D) of this Article, if the Company allots and issues any ordinary shares in the capital of the Company to any person (a **New Member**) other than under the Scheme or to Signet Jewelers Limited or its nominee(s) at or after the Reduction Record Time (the **Post-Scheme Shares**), all such Post-Scheme Shares will, conditional upon the Scheme becoming effective, be transferred to Signet Jewelers Limited (or as it may direct) in consideration for and conditionally upon (subject as hereinafter provided) Signet Jewelers Limited allotting and issuing to such New Member such number of Signet Jewelers Limited Shares as that New Member would have been entitled to had each Post-Scheme Share been a Scheme Share and also taking into account the Share Capital Consolidation (provided that no such Signet Jewelers Limited Shares shall be allotted or issued prior to the Effective Date).
- (D) The Signet Jewelers Limited Shares allotted and issued to a New Member pursuant to paragraph (C) of this Article shall be credited as fully paid and shall rank *pari passu* in all respects with all other Signet Jewelers Limited Shares in issue at that time (other than as regards any dividend or other distribution payable by reference to a record date preceding the date of allotment) and shall be subject to the memorandum of association and Signet Jewelers Limited Bye-laws.
- (E) The amount of Signet Jewelers Limited Shares to be allotted and issued to a New Member pursuant to paragraph (C) of this Article may be adjusted by the Directors, in such manner as the auditors of the Company may determine to take account of any reorganisation of or material alteration (including, without limitation, any subdivision or consolidation) to the share capital of either the Company or Signet Jewelers Limited effected after the close of business on the Effective Date (other than, for the avoidance of doubt, the Share Capital Consolidation).
- (F) To give effect to any transfer required by paragraph (C) of this Article, the Company may appoint any person as attorney and/or agent for the New Member to transfer the Post-Scheme Shares to Signet Jewelers Limited or its nominee(s) and do all such other things and execute and deliver all such documents as may in the opinion of the attorney and/or agent be necessary or desirable to vest the Post-Scheme Shares in Signet Jewelers Limited or its nominee(s) and, pending such vesting to exercise all such rights attaching to the Post-Scheme Shares as Signet Jewelers Limited may direct. If an attorney and/or agent is so appointed, the New Member shall not thereafter (except to the extent that the attorney and/or agent fails to act in accordance with the directions of Signet Jewelers Limited) be entitled to exercise any rights attaching to the Post-Scheme Shares unless so agreed by Signet Jewelers Limited. The attorney and/or agent shall be empowered to exercise and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder) in favour of Signet Jewelers Limited and the Company may give a good receipt for the consideration for the Post-Scheme Shares and may register Signet Jewelers Limited as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Post-Scheme Shares.
- (G) In connection with the Scheme, if, in respect of any holder of Scheme Shares who is (or whom the Company reasonably believes to be) an Overseas Shareholder (as defined in the Scheme), the Company is advised that the allotment and/or issue of any Signet Jewelers Limited Shares pursuant to clause 2 of the Scheme would or might infringe the laws of any jurisdiction outside the United Kingdom or United States or would or might require the Company or Signet Jewelers Limited to comply with any governmental or other consent or any registration, filing or other formality with which the Company or Signet Jewelers Limited is unable to comply with or compliance with which the Company or Signet Jewelers Limited regards as unduly onerous, the Company shall (unless such shareholder satisfies the Company or Signet Jewelers Limited that no such infringement or requirement would apply) be authorised to appoint any person to execute as transferor an instrument of transfer transferring, prior to the Scheme Record Time, the Scheme Shares held by such shareholder to a nominee to hold such Scheme Shares on trust for that holder, on terms that such nominee shall sell the Signet Jewelers Limited Shares, if any, that it receives pursuant to the Scheme in respect of such Scheme Shares as soon as practicable following the Effective Date.
- (H) Any sale of Signet Jewelers Limited Shares under paragraph (G) of this Article shall be carried out at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale of Signet Jewelers Limited Shares (after the deduction of all expenses and commissions incurred in

connection with such sale, including value added tax, if any) shall be paid to the persons who would, but for sub-clause 3.1 of the Scheme have been entitled to receive such Signet Jewelers Limited Shares in accordance with the Scheme. To give effect to any sale under paragraph (G) of this Article, the person appointed by the Company or Signet Jewelers Limited in accordance with paragraph (G) of this Article shall be authorised as attorney and/or agent on behalf of the holder concerned to execute and deliver as transferor an instrument or instruction of transfer and to give such instructions and to do all other things which he may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of the Company, Signet Jewelers Limited or the person so appointed shall have any liability for any loss or damage arising as a result of the timing or terms of such sale or for any alleged insufficiencies of the terms or timing of such sale arising.

- (I) The instrument of transfer executed by an appointee of the Company pursuant to paragraph (G) of this Article above shall be effective as if it had been executed by the registered holder of or person entitled by transmission to the Scheme Shares to which such instrument relates and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto.

ORDINARY RESOLUTION

- 2 THAT, subject to and with effect from the passing of resolution 1 above, approval be and is hereby given in principle to the operation of each of the Signet Jewelers Limited share plans established by Signet Jewelers Limited on 9 July 2008, namely the Signet Jewelers Limited Long Term Incentive Plan 2008, the Signet Jewelers Limited International Share Option Plan 2008, the Signet Jewelers Limited US Stock Option Plan 2008, the Signet Jewelers Limited UK Approved Share Option Plan 2008, the Signet Jewelers Limited Sharesave Plan 2008, the Signet Jewelers Limited Irish Sharesave Plan 2008 and the Signet Jewelers Limited US Employee Stock Savings Plan 2008 which are summarised in paragraph 14 of Part II of the circular sent by the Company to its shareholders on or about 24 July 2008 containing among other things, this notice.

BY ORDER OF THE BOARD

24 July 2008

Registered Office:

15 Golden Square, London W1F 9JG

Registered in England No. 477692

M A Jenkins

Group Company Secretary

NOTES TO THE NOTICE OF SCHEME GM

- i. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company but must attend the meeting in person.
- ii. A white form of proxy is enclosed with this notice for members who are unable or who do not wish to attend the meeting in person. Instructions for use are shown on the form. Lodging a form of proxy will not prevent the shareholder from attending and voting in person. The Company will give effect to the intention of members and include votes wherever and to the fullest extent possible. Any amendments you make to any form of proxy must be initialled by you.
- iii. To be valid, the form of proxy (together with any power of attorney or authority under which it is signed, or a notarially certified copy of such power or authority) must be received at the offices of the Company's registrar, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 48 hours before the time for holding the meeting or any adjournment thereof or (in the case of a poll taken otherwise than at the meeting or any adjournment thereof) for the taking of the poll at which it is to be used.
- iv. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different shares.
- v. If you wish to appoint multiple proxies, you may: (a) photocopy the form of proxy, fill in each copy in respect of different shares and send the multiple forms together to Capita Registrars at the address above; or alternatively (b) call Capita Registrars on the number in paragraph (xxi) below who will then issue you with multiple forms of proxy. In each case, please ensure that all of the multiple forms of proxy in respect of one registered holding are sent in the same envelope if possible.
- vi. Subject to the following principles where more than one proxy is appointed, where a form of proxy does not state the number of shares to which it applies (a **blank proxy**) then that proxy is taken to have been appointed in relation to the total number of shares registered in the holder's name. In the event of a conflict between a blank proxy and a form of proxy which states the number of shares to which it applies (a **specific proxy**), the specific proxy shall be counted first, regardless of the time it was delivered or received (on the basis that as far as possible, the conflicting forms of proxy should be judged to be in respect of different shares) and remaining shares will be apportioned to the blank proxy (pro rata if there is more than one).
- vii. Where there is more than one proxy appointed and the total number of shares in respect of which proxies are appointed is no greater than your entire holding, it is assumed that proxies are appointed in relation to different shares, rather than that conflicting appointments have been made in relation to the same shares.
- viii. When considering conflicting proxies, later proxies will prevail over earlier proxies, and which proxy is later will be determined on the basis of which proxy is last sent (or, if the Company is unable to determine which is last delivered, last received). Forms of proxy in the same envelope will be treated as sent and received at the same time, to minimise the number of conflicting proxies.
- ix. If conflicting proxies are sent or received at the same time in respect of (or deemed to be in respect of) your entire holding, none of them shall be treated as valid.
- x. Where the aggregate number of shares in respect of which proxies are appointed exceeds your entire holding and it is not possible to determine the order in which they were sent or received (or they were all sent or received at the same time), the number of votes attributed to each proxy will be reduced pro rata (on the basis that as far as possible, conflicting forms of proxy should be judged to be in respect of different shares).
- xi. Where the application of paragraph (x) above gives rise to fractions of shares, such fractions will be rounded down.

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- xii. If you appoint a proxy or proxies and then decide to attend the Scheme GM in person and vote using your poll card, then your vote in person will override your proxy vote(s). If your vote in person is in respect of your entire holding then all of your proxy votes will be disregarded. If, however, you vote at the meeting in respect of less than your entire holding, and you indicate on your polling card that all proxies are to be disregarded, that shall be the case; but if you do not specifically revoke proxies, then your vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding your entire holding.

- xiii. 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(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- xiv. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment in the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. 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 issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- xv. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear 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(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
- xvi. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- xvii. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes that can be cast), members must be entered on the Company's register of members at 6.00 p.m. on Sunday 17 August 2008. If the meeting is adjourned then, to be so entitled, members must be entered on the Company's register of members at 6.00 p.m. on the day which is two days before the date fixed for the adjourned meeting or, if the Company gives notice of this adjourned meeting and an entitlement time is specified in that notice, at the time specified in that notice.
- xviii. A shareholder which is a company (a corporation) and which wishes to be represented at the meeting by a person with authority to speak, vote on a show of hands and vote on a poll (a corporate representative) must appoint such a person by resolution of its directors. A corporate representative has the same powers on behalf of the corporation he/she represents as that corporation could exercise if it were an individual member of the Company.
- xix. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that: (a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.
- xx. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the Company's register of members in respect of the joint holding.

- xxi. If you are in any doubt about completing the form of proxy please telephone Capita Registrars on 0871 664 0440 (from within the UK) and +44 20 8639 3443 (from outside the UK). Calls to the Capita Registrars 0871 664 0440 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registrars +44 20 8639 3443 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the Proposal nor give any financial, legal or tax advice.
- xxii. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. You may alternatively submit your question in advance by way of a letter addressed to the Company Secretary at the Company's registered office.
- xxiii. Copies of the Company's articles of association as proposed to be amended by the first resolution set out in the notice of meeting and copies of the Signet Jewelers Limited share plans referred to in the second resolution set out in the notice of meeting are available for inspection at the offices of Herbert Smith LLP at Exchange House, Primrose Street, London EC2A 2HS during normal business hours on a weekday until the opening of business on the day on which the meeting is held and will also be available for inspection at the place of the meeting for at least fifteen minutes before and during the meeting.

Printed by RR Donnelley, 94191

FORM OF PROXY FOR USE BY HOLDERS OF ORDINARY SHARES

SIGNET GROUP PLC COURT MEETING 19 AUGUST 2008

Notes:

1. The Signet Group plc Court Meeting will be held at Café Royal, 68 Regent Street, London W1B 5EL on Tuesday 19 August 2008 at 11.30 a.m.. The nearest Underground stations are Piccadilly Circus, Leicester Square and Oxford Circus.

2. If you cannot attend the Court Meeting but wish to vote for or against the Scheme, you are entitled to appoint someone else, a proxy, to attend and vote on your behalf. A proxy need not be a Signet Shareholder. Your proxy must attend the Court Meeting in person in order to represent you. If you wish to appoint someone other than the Chairman of the Court Meeting as your proxy write the name of your proxy in the space provided.

3. A proxy must vote as you have instructed in relation to the question of whether or not to approve the proposed Scheme. The proxy will vote (or abstain from voting) as he or she thinks fit on that matter if you have not provided an instruction, and on any other business which may properly come before the Court Meeting.

4. Please return this form of proxy together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy thereof) to Capita Registrars at the address shown overleaf by 11.30 a.m. on Sunday 17 August 2008. If you prefer not to post this form of proxy as it is, you may return it in a sealed envelope to the address shown overleaf. If you quote Freepost RLZK-EARB-GSKJ on the envelope, the postage will be paid by the Company, but please allow plenty of time to ensure that your form of proxy arrives before the deadline. Alternatively, this blue form of proxy (but NOT the white form of proxy) may be handed to the Chairman of the Court Meeting before the start of the Court Meeting on 19 August 2008 and will still be valid.

5. In the case of joint holders the signature of any one holder will be sufficient. In the case of a corporation this form of proxy must be under its common seal or signed on its behalf by a duly authorised officer or attorney.

If you plan to attend the Court Meeting, please bring this slip with you.

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This slip shows that you are entitled to attend the Court Meeting to be held at Café Royal, 68 Regent Street, London W1B 5EL on 19 August 2008 at 11.30 a.m. and at any adjournment thereof. Please bring it with you to allow convenient entry to the Court Meeting.

If you are in any doubt about completing this form of proxy please telephone the Company's registrars, Capita Registrars, on 0871 664 0440 (from within the UK) or +44 20 8639 3443 (from outside the UK).

Signature of
person attending

Barcode:

Investor Code:

Please detach this section before returning your form of proxy.

6. The completion of a form of proxy does not preclude the Signet Shareholder from attending or voting in person.

7. CREST members may appoint a proxy or proxies electronically via Capita Registrars (ID RA 10). Messages transmitted through CREST must be lodged by 11.30 a.m. on Sunday 17 August 2008. Further details can be found in the Notice of Court Meeting set out at Part IX of the Scheme Circular accompanying this form of proxy.

8. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different Signet Shares if you wish to do so please see the detailed instructions in the Notice of General Meeting set out in Part X of the Scheme Circular accompanying this form of proxy.

9. Any alteration made to this form of proxy should be initialled by the person signing it.

10. Terms defined in the Scheme Circular accompanying this form of proxy shall have the same respective meaning when used in this form of proxy, unless the context otherwise requires.

FORM OF PROXY FOR USE BY HOLDERS OF ORDINARY SHARES

SIGNET GROUP PLC COURT MEETING 19 AUGUST 2008

In the High Court of Justice No 5694 of 2008, Chancery Division, Companies Court.

In the matter of Signet Group plc and in the matter of the Companies Act 2006.

Barcode:

Investor Code:

I/we, the undersigned, being a member of the above named Company, hereby appoint the Chairman of the Meeting or the following person*

Event Code: N351C834921

as my/our proxy to attend and vote on my/our behalf in respect of Signet Shares** at the Court Meeting of the Company to be held at Café Royal, 68 Regent Street, London W1B 5EL on Tuesday 19 August 2008 at 11.30 a.m. and at any adjournment thereof for the purpose of considering and, if thought fit, approving (with or without modification) the proposed scheme of arrangement (Scheme) referred to in the Notice convening the Court Meeting.

* If you wish to appoint the Chairman, leave this box blank. If you wish to appoint some other proxy, strike out the words the Chairman of the Meeting or and insert the name of your proxy in the box. Do not insert your own name(s). A proxy need not be a member of the Company but must attend the Court Meeting to represent you.

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** You may appoint more than one proxy, in accordance with the detailed instructions set out in the Notice of General Meeting set out in Part X of the Scheme Circular accompanying this form of proxy, provided that each proxy is appointed to exercise rights attaching to different Signet Shares. If this box is left blank, it will not invalidate this form of proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

IMPORTANT: If you wish to vote for the Scheme, sign your name in the box marked FOR the Scheme . If you wish to vote against the Scheme, sign your name in the box marked AGAINST the Scheme . The proxy may also vote or abstain from voting as he or she thinks fit on any modifications to the said Scheme or any other business (including, without limitation, any adjournment or procedural motion) that may properly come before the Court Meeting, unless instructed otherwise. It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of shareholder opinion; **you are therefore strongly encouraged to complete, sign and return your form of proxy as soon as possible.**

At the Court Meeting (or any adjournment thereof) each proxy is to vote on my behalf for the Scheme (either with or without modification as my proxy may approve) or against the Scheme as indicated below:

FOR the Scheme	AGAINST the Scheme	
Signature	Signature	Date

+ Please mark this box if you are signing on behalf of a Signet Shareholder under a power of attorney or other form of authority. Such form of authority (or a notorially certified copy thereof) should be returned with this form of proxy. .. +

RRD 35961

FORM OF PROXY FOR USE BY HOLDERS OF ORDINARY SHARES

SIGNET GROUP PLC GENERAL MEETING 19 AUGUST 2008

Notes:

1. The Signet Group plc General Meeting will be held at Café Royal, 68 Regent Street, London W1B 5EL on Tuesday 19 August 2008 at 11.45 a.m. (or as soon thereafter as the Court Meeting shall have concluded or been adjourned). The nearest Underground stations are Piccadilly Circus, Leicester Square and Oxford Circus.

2. If you cannot attend the General Meeting but wish to vote for or against the Scheme, you are entitled to appoint someone else, a proxy, to attend and vote on your behalf. A proxy need not be a Signet Shareholder. Your proxy must attend the General Meeting in person in order to represent you. If you wish to appoint someone other than the Chairman of the General Meeting as your proxy write the name of your proxy in the space provided.

3. A proxy must vote as you have instructed in relation to the proposed resolutions. The proxy will vote (or abstain from voting) as he or she thinks fit on that matter if you have not provided an instruction, and on any other business which may properly come before the General Meeting.

4. Please return this form of proxy together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy thereof) to Capita Registrars at the address shown overleaf by 11.45 a.m. on Sunday 17 August 2008. If you prefer not to post this form of proxy as it is, you may return it in a sealed envelope to the address shown overleaf. If you quote Freepost RLZK-EARB-GSKJ on the envelope, the postage will be paid by the Company, but please allow plenty of time to ensure that your form of proxy arrives before the deadline.

5. In the case of joint holders the signature of any one holder will be sufficient. In the case of a corporation this form of proxy must be under its common seal or signed on its behalf by a duly authorised officer or attorney.

If you plan to attend the General Meeting, please bring this slip with you.

This slip shows that you are entitled to attend the General Meeting to be held at Caf Royal, 68 Regent Street, London W1B 5EL on 19 August 2008 at 11.45 a.m. (or as soon thereafter as the Court Meeting shall have concluded or been adjourned) and at any adjournment thereof. Please bring it with you to allow convenient entry to the General Meeting.

6. The completion of a form of proxy does not preclude the Signet Shareholder from attending or voting in person.

7. The Vote Withheld option is to enable you to abstain on any of the resolutions. Please note that a Vote Withheld has no legal effect and will not be counted in the votes For and Against a resolution.

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If you are in any doubt about completing this form of proxy please telephone the Company's registrars, Capita Registrars, on 0871 664 0440 (from within the UK) or +44 20 8639 3443 (from outside the UK).

8. CREST members may appoint a proxy or proxies electronically via Capita Registrars (ID RA 10). Messages transmitted through CREST must be lodged by 11.45 a.m. on Sunday 17 August 2008. Further details can be found in the Notice of General Meeting set out in Part X of the Scheme Circular accompanying this form of proxy.

Signature of
person attending

Barcode:

Investor Code:

9. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different Signet Shares if you wish to do so please see the detailed instructions in the Notice of General Meeting set out in Part X of the Scheme Circular accompanying this form of proxy.

10. Any alteration made to this form of proxy should be initialled by the person signing it.

11. Terms defined in the Scheme Circular accompanying this form of proxy shall have the same respective meaning when used in this form of proxy, unless the context otherwise requires.

Please detach this section before returning your form of proxy.

FORM OF PROXY FOR USE BY HOLDERS OF ORDINARY SHARES

+

SIGNET GROUP PLC GENERAL MEETING 19 AUGUST 2008

+

Barcode:

Investor Code:

I/we, the undersigned, being a member of the above named Company, hereby appoint the Chairman of the Meeting or the following person*

Event Code: N351G83491

+

+

as my/our proxy to attend and vote on my/our behalf in respect of Signet Shares** at the General Meeting of the Company to be held at Café Royal, 68 Regent Street, London W1B 5EL on Tuesday 19 August 2008 at 11.45 a.m. (or as soon thereafter as the Court Meeting shall have concluded or been adjourned) and at any adjournment thereof. This form of proxy relates to the resolutions set out below and any other business transacted at the General Meeting.

* If you wish to appoint the Chairman, leave this box blank. If you wish to appoint some other proxy, strike out the words the Chairman of the Meeting or and insert the name of your proxy in the box. Do not insert your own name(s). A proxy need not be a member of the Company but must attend the General Meeting to represent you.

** You may appoint more than one proxy, in accordance with the detailed instructions set out in the Notice of General Meeting set out in Part X of the Scheme Circular accompanying this form of proxy, provided that each proxy is appointed to exercise rights attaching to different Signet Shares. If this box is left blank, it will not invalidate this form of proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

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Please indicate your votes by marking the appropriate box in black ink like this: X. If you do not do so, you will have authorised the proxy to vote or withhold the vote at his or her discretion on the resolutions or on any other business which comes before the General Meeting. If you withhold your vote in respect of a resolution your vote will not be counted in calculating the proportion of votes For and Against that resolution.

RESOLUTIONS	Please mark X to indicate			Vote
<u>Special Resolution</u>	how you wish to vote	For	Against	Withheld
1. To: (i) authorise the Directors to take all action necessary or appropriate to implement the Scheme; (ii) cancel the share capital of the Company; (iii) increase the share capital by the creation of New Signet Shares and authorise the Directors to allot New Signet Shares; and (iv) amend the articles of association of the Company.
<u>Ordinary Resolution</u>				
2. To approve in principle the operation of each of the Signet Jewelers Limited Share Plans.

A detailed explanation of the above resolutions is contained in the Scheme Circular accompanying this form of proxy.

Signature

Date

Please mark this box if you are signing on behalf of a Signet Shareholder under a power of attorney or other form of authority. Such form of authority (or a notarially certified copy thereof) should be returned with this form of proxy.
 ..

RRD 35961

COURT MEETING AND GENERAL MEETING OF SHAREHOLDERS OF

SIGNET GROUP PLC

August 19, 2008

The following voting instruction card relates to a court meeting and general meeting of the shareholders of Signet Group plc and is being sent to the holders of Signet Group plc American Depositary Receipts pursuant to the Deposit Agreement among Signet Group plc, Deutsche Bank Trust Company Americas (the Depository) and the registered holders and beneficial owners of the American Depositary Shares (the Signet ADSs).

Please sign, date and mail
your Voting Instruction Card
in the envelope provided as
soon as possible.

The latest time for receipt by the Depository of completed ADS voting instruction cards from registered holders of Signet ADSs is 3:00 p.m. (Eastern Time) on August 13, 2008.

Ê Please detach along perforated line and mail in the envelope provided. Ê

n 00002030003000000000 2

081908

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

Terms defined in the circular to Signet Group plc shareholders and ADS holders dated 24 July 2008 relating to the scheme (the Circular) shall have the same respective meaning when used in this voting instruction card, unless the context otherwise requires. You are also referred to the unanimous recommendation of the board of directors of Signet in respect of the proposed resolutions, which can be found at pages 22-23 of the Circular.

Court Meeting	FOR	AGAINST
The proposed Scheme	..	..

General Meeting

RESOLUTIONS

VOTE

	FOR	AGAINST	WITHHELD
<u>Special Resolution</u>	..	..	..

To: (i) authorise the Directors to take all action necessary or appropriate to implement the Scheme;

(ii) cancel the share capital of the Company;

(iii) increase the share capital by the creation of New Signet Shares;

(iv) authorise the Directors to allot New Signet Shares; and

(v) amend the articles of association of the Company.

Ordinary resolution to approve in principle the operation of each of the Signet Jewelers Limited Share Plans.
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A detailed explanation of the above resolutions is contained in the Circular accompanying this voting instruction card.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ..

Signature of ADS holder

Date:

Signature of ADS holder

Date:

Note: Please sign exactly as your name or names appear on this Voting Instruction Card. When ADSs are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership,

Ratings													
Alesco PF II	B1	\$282.5	\$399.2	\$116.8	31	11.30%	8.70%	—	%	Ca / C			
Alesco PF III	B1	667.5	1,326.5	659.0	32	10.60%	10.00%	—	%	Ca / C			

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		please sign in partnership name by											
		267th authorized person.											
Alesco PF III	B2		530.6	263.5	32	10.60%	10.00%	—	%	Ca / C			
Alesco PF IV	B1	343.1	476.6	133.5	36	3.50 %	12.10%	—	%	C / C			
Alesco PF VI	C2	600.9	1,499.5	898.5	45	7.50 %	12.20%	—	%	Ca / C			
MM Comm III	B	1,129.9	3,794.0	2,663.8	6	26.70%	8.60 %	12.80%		Ba1 / B			
MM Comm IX	B1	65.8	25.9	(39.9)	14	34.70%	15.60%	—	%	Ca / D			
MMCaps XVII	C1	1,406.6	1,894.2	487.6	30	12.50%	11.30%	—	%	Ca / C			
MMCaps XIX	C	485.7	20.5	(465.2)	30	25.40%	17.10%	—	%	C / C			
Tpref I	B	1,375.8	1,341.8	(34.0)	8	49.20%	9.50 %	—	%	Ca / WD			
Tpref II	B	3,741.5	4,601.9	860.4	16	33.40%	13.90%	—	%	Caa3 / C			
US Cap IB2		810.9	1,518.9	708.0	29	10.50%	10.10%	—	%	Caal / C			
US Cap IB1		2,413.7	4,556.7	2,143.0	29	10.50%	10.10%	—	%	Caal / C			
US Cap II	B1	1,250.0	2,146.0	896.0	35	14.90%	9.20 %	—	%	Caal / C			
US Cap III	B1	1,649.4	2,277.3	627.9	28	15.40%	14.60%	—	%	Ca / C			
US Cap IV	B1	934.3	57.0	(877.3)	42	33.60%	24.10%	—	%	C / D			
Trapeza XII	C1	1,558.7	630.2	(928.5)	29	23.80%	21.20%	—	%	C / C			
Trapeza XIII	C1	1,620.3	2,365.0	744.7	41	18.40%	16.20%	—	%	Ca / C			
Pretsl XXIII	A1	558.1	1,422.2	864.1	66	20.00%	16.80%	31.40%		A2 / A			
Pretsl XXIV	A1	2,165.3	4,377.1	2,211.9	61	24.10%	19.20%	24.80%		Baa2 / BBB			
Pretsl IV Mez		138.3	211.0	72.8	6	18.00%	8.10 %	19.00%		B1 / B			
Pretsl V Mez		15.8	15.6	(1.0)	—	65.50%	—	%	—	C / WD			
Pretsl VII	Mez	377.0	1,851.4	1,474.5	12	46.60%	12.70%	—	%	Ca / C			
Pretsl XV	B1	958.5	1,491.8	533.3	53	18.00%	17.40%	—	%	C / C			
Pretsl XVII	C	612.7	955.4	342.6	35	19.00%	20.80%	—	%	C / CC			
Pretsl XVIII	C	1,415.8	1,991.7	575.9	55	20.40%	14.00%	—	%	Ca / C			

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Pretsl XIX	C	607.9	674.9	67.0	50	14.90%	13.80%	—	% C / C
Pretsl XX	C	317.8	410.6	92.9	47	18.20%	16.00%	—	% C / C
Pretsl XXI	C1	697.6	1,933.5	1,235.9	52	18.90%	15.70%	—	% C / C
Pretsl XXIII	A-FP	935.1	1,955.6	1,020.5	92	20.70%	14.00%	18.30%	A1 / BBB
Pretsl XXIV	C1	600.6	440.5	(160.0)	61	24.10%	19.20%	—	% C / C
Pretsl XXV	C1	347.1	466.1	119.0	47	26.40%	15.00%	—	% C / C
Pretsl XXVI	C1	410.9	725.0	314.1	50	24.10%	15.80%	—	% C / C
Pref Pretsl IX	B2	405.3	566.6	161.3	32	20.80%	12.90%	—	% Caa1 / C
Pretsl II	B1	436.4	671.9	235.5	23	8.00 %	9.60 %	—	% B
Pretsl X	C2	233.6	335.4	101.9	34	29.00%	12.50%	—	% Caa3 / C
		\$31,837.5	\$49,958.1	\$18,120.0					

Table of Contents

(1) At September 30, 2013, assumed recoveries for current deferrals and defaulted issuers ranged from 3.5% to 65.5%.

(2) At September 30, 2013, assumed recoveries for expected deferrals and defaulted issuers ranged from 8.1% to 24.1%.

(3) Excess subordination represents the amount of remaining performing collateral that is in excess of the amount needed to pay off a specified class of bonds and all classes senior to the specified class. Excess subordination reduces an investor's potential risk of loss on their investment as excess subordination absorbs principal and interest shortfalls in the event underlying issuers are not able to make their contractual payments.

A portion of the Company's securities are pledged to secure borrowings. The contractual maturities of mortgage-backed securities generally exceed 10 years; however, the effective lives are expected to be shorter due to anticipated prepayments. Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer, therefore, mortgage-backed securities are not included in the following table. The carrying value and estimated fair value of debt securities at September 30, 2013, by contractual maturity, are shown below.

	September 30, 2013	
	Carrying value	Estimated fair value
	(In thousands)	
Due in one year or less	\$9,863	9,863
Due after one year through five years	3,603	3,626
Due after five years through ten years	—	—
Due after ten years	36,843	55,577
Total	\$50,309	69,066

Other-Than-Temporary Impairment ("OTTI")

We conduct a quarterly review and evaluation of the securities portfolio to determine if the value of any security has declined below its cost or amortized cost, and whether such decline is other-than-temporary. If a determination is made that a debt security is other-than-temporarily impaired, the Company will estimate the amount of the unrealized loss that is attributable to credit and all other non-credit related factors. The credit related component will be recognized as an other-than-temporary impairment charge in non-interest income as a component of gain (loss) on securities, net. The non-credit related component will be recorded as an adjustment to accumulated other comprehensive income, net of tax.

Through the use of a valuation specialist, we evaluate the credit and performance of each underlying issuer of our trust preferred securities by deriving probabilities and assumptions for default, recovery and prepayment/amortization for the expected cash flows for each security. At September 30, 2013, management deemed that the present value of projected cash flows for each security was greater than the book value and did not recognize any additional OTTI charges for the period ended September 30, 2013. At September 30, 2013, non credit-related OTTI recorded on the previously impaired pooled trust preferred securities was \$26.8 million (\$15.8 million after-tax).

The following table presents the changes in the credit loss component of the impairment loss of debt securities that the Company has written down for such loss as an other-than-temporary impairment recognized in earnings.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	(In thousands)			
Balance of credit related OTTI, beginning of period	\$112,886	115,759	\$114,514	117,003
Additions:				
Initial credit impairments	—	—	—	—
Subsequent credit impairments	—	—	—	—
Reductions:				
Accretion of credit loss impairment due to an increase in expected cash flows	(814) (623) (2,442) (1,867

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Balance of credit related OTTI, end of period	\$112,072	115,136	\$112,072	115,136
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The credit loss component of the impairment loss represents the difference between the present value of expected future cash flows and the amortized cost basis of the securities prior to considering credit losses. The beginning balance represents the credit loss

20

Table of Contents

component for debt securities for which other-than-temporary impairment occurred prior to the period presented. If other-than-temporary impairment is recognized in earnings for credit impaired debt securities, they would be presented as additions in two components based upon whether the current period is the first time a debt security was credit impaired (initial credit impairment) or is not the first time a debt security was credit impaired (subsequent credit impairments). The credit loss component is reduced if the Company sells, intends to sell or believes it will be required to sell or revises its estimate about the previously credit impaired debt securities. Additionally, the credit loss component is reduced if (i) the Company receives cash flows in excess of what it expected to receive over the remaining life of the credit impaired debt security, (ii) the security matures or (iii) the security is fully written down.

Realized Gains and Losses

Gains and losses on the sale of all securities are determined using the specific identification method. For the three months ended September 30, 2013, the Company realized a \$15,000 gain on capital distributions of equity securities from the available-for-sale portfolio. For the three months ended September 30, 2013, there were no losses recognized. For the nine months ended September 30, 2013, proceeds from sales of securities from available-for-sale portfolio were \$56.0 million, which resulted in gross realized gains of \$846,100 and \$162,300 gross realized losses as well as \$22,000 of gains on capital distributions of equity securities. For the three and nine months ended September 30, 2013, there were no sales of securities from held-to-maturity portfolio.

For three months ended September 30, 2012, proceeds from sales of securities from available-for-sale portfolio were \$8.0 million, which resulted in gross realized gains of \$138,000 and no gross realized losses. For the nine months ended September 30, 2012, proceeds from sales of securities from the available-for-sale portfolio were \$8.6 million, which resulted in gross realized gains of \$176,000 and no gross realized losses. During the nine months ended September 30, 2012, the Company sold \$166.8 million of available-for-sale agency mortgage backed securities that were acquired in the acquisition of Brooklyn Federal Bancorp, Inc. The sales did not result in any gross realized gains or gross realized losses. In addition, the Company realized a \$33,000 loss on capital distributions of equity securities during the nine months ended September 30, 2012.

For the three months ended September 30, 2012, proceeds from sales of securities from the held-to-maturity portfolio were \$14.2 million, which resulted in gross realized gains of \$159,000 and gross realized losses of \$51,000. For the nine months ended September 30, 2012, proceeds from sales of securities from the held-to-maturity portfolio were \$14.9 million, which resulted in gross realized gains of \$193,000 and \$51,000 in gross realized losses. Sales from the held-to-maturity portfolio met the criteria of principal pay downs under 85% of the original investment amount and therefore do not result in a tainting of the held-to-maturity portfolio. The Company sells securities when market pricing presents, in management's assessment, an economic benefit that outweighs holding such securities, and when smaller balance securities become cost prohibitive to carry.

5. Loans Receivable, Net

The detail of the loan portfolio as of September 30, 2013 and December 31, 2012 was as follows:

	September 30, 2013	December 31, 2012
	(In thousands)	
Residential mortgage loans	\$5,132,745	4,837,838
Multi-family loans	3,557,333	2,995,052
Commercial real estate loans	2,190,099	1,966,156
Construction loans	218,391	224,816
Consumer and other loans	224,029	238,922
Commercial and industrial loans	195,187	168,943
Total loans excluding PCI loans	11,517,784	10,431,727
PCI loans	6,474	6,744
Net unamortized premiums and deferred loan costs	16,533	10,487
Allowance for loan losses	(166,779) (142,172

Net loans	\$11,374,012	10,306,786
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Purchased Credit-Impaired Loans

Purchased Credit-Impaired ("PCI") loans, are loans acquired at a discount that is due, in part, to credit quality. PCI loans are accounted for in accordance with ASC Subtopic 310-30 and are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance (i.e., the allowance for loan losses).

Table of Contents

The following table presents information regarding the estimates of the contractually required payments, the cash flows expected to be collected, and the estimated fair value of the PCI loans acquired in Marathon Bank acquisition as of October 15, 2012:

	October 15, 2012	
	(In thousands)	
Contractually required principal and interest	\$ 11,774	
Contractual cash flows not expected to be collected (non-accretable difference)	(4,163)
Expected cash flows to be collected	7,611	
Interest component of expected cash flows (accretable yield)	(1,537)
Fair value of acquired loans	\$ 6,074	

The following table presents changes in the accretable yield for PCI loans:

	Three months ended September 30, 2013	Nine months ended September 30, 2013
	(In thousands)	
Balance, beginning of period	\$ 1,212	1,457
Acquisitions	—	—
Accretion	(135	) (380
Net reclassification from non-accretable difference	—	—
Balance, end of period	\$ 1,077	1,077

An analysis of the allowance for loan losses is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Balance at beginning of the period	\$ 154,467	128,474	142,172	117,242
Loans charged off	(2,484	) (15,332	) (19,219	) (36,474
Recoveries	1,046	2,124	2,576	2,498
Net charge-offs	(1,438	) (13,208	) (16,643	) (33,976
Provision for loan losses	13,750	16,000	41,250	48,000
Balance at end of the period	\$ 166,779	131,266	166,779	131,266

The allowance for loan losses is the estimated amount considered necessary to cover credit losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses that is charged against income. In determining the allowance for loan losses, we make significant estimates and therefore, have identified the allowance as a critical accounting policy. The methodology for determining the allowance for loan losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.

The allowance for loan losses has been determined in accordance with U.S. GAAP, under which we are required to maintain an allowance for probable losses at the balance sheet date. We are responsible for the timely and periodic determination of the amount of the allowance required. We believe that our allowance for loan losses is adequate to cover specifically identifiable losses, as well as estimated losses inherent in our portfolio for which certain losses are probable but not specifically identifiable. No allowance has been provided for the loans acquired in the Brooklyn Federal Savings Bank and Marathon Bank transaction as the loans were marked to fair value on the date of acquisition and there has been no significant subsequent credit deterioration.

Table of Contents

Management performs a quarterly evaluation of the adequacy of the allowance for loan losses. The analysis of the allowance for loan losses has two components: specific and general allocations. Specific allocations are made for loans determined to be impaired. A loan is deemed to be impaired if it is a commercial real estate, multi-family or construction loan with an outstanding balance greater than \$1.0 million and on non-accrual status, loans modified in a troubled debt restructuring (“TDR”), and other loans if management has specific information of a collateral shortfall. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. The general allocation is determined by segregating the remaining loans, including those loans not meeting the Company’s definition of an impaired loan, by type of loan, risk rating (if applicable) and payment history. In addition, the Company also considers whether residential loans are fixed or adjustable rate. We also analyze historical loss experience, delinquency trends, general economic conditions, geographic concentrations, and industry and peer comparisons. This analysis establishes factors that are applied to the loan groups to determine the amount of the general allocations. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revisions based upon changes in economic and real estate market conditions. Actual loan losses may be significantly more than the allowance for loan losses we have established which could have a material negative effect on our financial results. On a quarterly basis, management’s Allowance for Loan Loss Committee reviews the current status of various loan assets in order to evaluate the adequacy of the allowance for loan losses. In this evaluation process, specific loans are analyzed to determine their potential risk of loss. This process includes all loans, concentrating on non-accrual and classified loans. Each non-accrual or classified loan is evaluated for potential loss exposure. Any shortfall results in a recommendation of a specific allowance or charge-off if the likelihood of loss is evaluated as probable. To determine the adequacy of collateral on a particular loan, an estimate of the fair value of the collateral is based on the most current appraised value available. This appraised value is then reduced to reflect estimated liquidation expenses. The results of this quarterly process are summarized along with recommendations and presented to Executive and Senior Management for their review. Based on these recommendations, loan loss allowances are approved by Executive and Senior Management. All supporting documentation with regard to the evaluation process, loan loss experience, allowance levels and the schedules of classified loans are maintained by the Lending Administration Department. A summary of loan loss allowances and the methodology employed to determine such allowances is presented to the Board of Directors on a quarterly basis.

Our primary lending emphasis has been the origination of commercial real estate loans, multi-family loans and the origination and purchase of residential mortgage loans. We also originate commercial and industrial loans, home equity loans and home equity lines of credit. These activities resulted in a concentration of loans secured by real estate property located in New Jersey and New York. Based on the composition of our loan portfolio, we believe the primary risks are increases in interest rates, a continued decline in the general economy, and a further decline in real estate market values in New Jersey, New York and surrounding states. Any one or combination of these events may adversely affect our loan portfolio resulting in increased delinquencies, loan losses and future levels of loan loss provisions. We consider it important to maintain the ratio of our allowance for loan losses to total loans at an adequate level given current economic conditions and the composition of the portfolio. As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisal valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans.

For commercial real estate, construction and multi-family loans, the Company obtains an appraisal for all collateral dependent loans upon origination and an updated appraisal in the event interest or principal payments are 90 days delinquent or when the timely collection of such income is considered doubtful. This is done in order to determine the specific reserve needed upon initial recognition of a collateral dependent loan as non-accrual and/or impaired. In subsequent reporting periods, as part of the allowance for loan loss process, the Company reviews each collateral dependent commercial real estate loan previously classified as non-accrual and/or impaired and assesses whether there

has been an adverse change in the collateral value supporting the loan. The Company utilizes information from its commercial lending officers and its loan workout department's knowledge of changes in real estate conditions in our lending area to identify if possible deterioration of collateral value has occurred. Based on the severity of the changes in market conditions, management determines if an updated appraisal is warranted or if downward adjustments to the previous appraisal are warranted. If it is determined that the deterioration of the collateral value is significant enough to warrant ordering a new appraisal, an estimate of the downward adjustments to the existing appraised value is used in assessing if additional specific reserves are necessary until the updated appraisal is received.

For homogeneous residential mortgage loans, the Company's policy is to obtain an appraisal upon the origination of the loan and an updated appraisal in the event a loan becomes 90 days delinquent. Thereafter, the appraisal is updated every 2 years if the loan remains in non-performing status and the foreclosure process has not been completed. Additionally, management adjusts the appraised value of residential loans to reflect estimated selling costs and declines in the real estate market.

Table of Contents

Management believes the potential risk for outdated appraisals for impaired and other non-performing loans has been mitigated due to the fact that the loans are individually assessed to determine that the loan's carrying value is not in excess of the fair value of the collateral. Loans are generally charged off after an analysis is completed which indicates that collectability of the full principal balance is in doubt.

Our allowance for loan losses reflects probable losses considering, among other things, the continued adverse economic conditions, the actual growth and change in composition of our loan portfolio, the level of our non-performing loans and our charge-off experience. In addition, the allowance considers the inherent credit risk in the overall portfolio, particularly the credit risk associated with commercial real estate lending and commercial and industrial lending. We believe the allowance for loan losses reflects the inherent credit risk in our portfolio.

Although we believe we have established and maintained the allowance for loan losses at adequate levels, additions may be necessary if the current economic environment continues or deteriorates. Management uses the best information available; however, the level of the allowance for loan losses remains an estimate that is subject to significant judgment and short-term change. In addition, the Federal Deposit Insurance Corporation and the New Jersey Department of Banking and Insurance, as an integral part of their examination process, will periodically review our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

Table of Contents

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of September 30, 2013 and December 31, 2012:

	September 30, 2013							Total
	Residential Mortgage	Multi- Family	Commercial Real Estate	Construction Loans	Commercial and Industrial Loans	Consumer and Other Loans	Unallocated	
	(In thousands)							
Allowance for loan losses:								
Beginning								
balance-December 31, 2012	\$45,369	29,853	33,347	16,062	4,094	2,086	11,361	142,172
Charge-offs	(13,223)	(1,226)	(792)	(3,104)	(83)	(791)	—	(19,219)
Recoveries	1,564	72	36	254	603	47	—	2,576
Provision	17,365	6,625	12,024	(835)	2,140	808	3,123	41,250
Ending								
balance-September 30, 2013	\$51,075	35,324	44,615	12,377	6,754	2,150	14,484	166,779
Individually evaluated for impairment	\$2,074	—	—	—	—	—	—	2,074
Collectively evaluated for impairment	49,001	35,324	44,615	12,377	6,754	2,150	14,484	164,705
Loans acquired with deteriorated credit quality	—	—	—	—	—	—	—	—
Balance at September 30, 2013	\$51,075	35,324	44,615	12,377	6,754	2,150	14,484	166,779
Loans:								
Individually evaluated for impairment	\$19,762	16,510	11,739	17,747	1,627	—	—	67,385
Collectively evaluated for impairment	5,112,983	3,540,824	2,178,359	200,644	193,560	224,029	—	11,450,399
Loans acquired with deteriorated credit quality	486	446	5,542	—	—	—	—	6,474
Balance at September 30, 2013	\$5,133,231	3,557,780	2,195,640	218,391	195,187	224,029	—	11,524,258

Table of Contents

December 31, 2012

	Residential Mortgage	Multi- Family	Commercial Real Estate	Construction Loans	Commercial and Industrial Loans	Consumer and Other Loans	Unallocated	Total
(In thousands)								
Allowance for loan losses:								
Beginning balance-December 31, 2011	\$32,447	13,863	30,947	22,839	3,677	1,335	12,134	117,242
Charge-offs	(20,180)	(9,058)	(479)	(13,227)	(99)	(1,107)	—	(44,150)
Recoveries	593	—	43	3,387	23	34	—	4,080
Provision	32,509	25,048	2,836	3,063	493	1,824	(773)	65,000
Ending balance-December 31, 2012	\$45,369	29,853	33,347	16,062	4,094	2,086	11,361	142,172
Individually evaluated for impairment	\$2,142	—	—	—	—	—	—	2,142
Collectively evaluated for impairment	43,227	29,853	33,347	16,062	4,094	2,086	11,361	140,030
Loans acquired with deteriorated credit quality	—	—	—	—	—	—	—	—
Balance at December 31, 2012	\$45,369	29,853	33,347	16,062	4,094	2,086	11,361	142,172
Loans:								
Individually evaluated for impairment	\$12,235	10,574	7,075	26,314	1,208	—	—	57,406
Collectively evaluated for impairment	4,825,603	2,984,478	1,959,081	198,502	167,735	238,922	—	10,374,321
Loans acquired with deteriorated credit quality	477	419	5,533	—	315	—	—	6,744
Balance at December 31, 2012	\$4,838,315	2,995,471	1,971,689	224,816	169,258	238,922	—	10,438,471

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. For non-homogeneous loans, such as commercial and commercial real estate loans the Company analyzes the loans individually by classifying the loans as to credit risk and assesses the probability of collection for each type of class. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

Pass - "Pass" assets are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner.

Special Mention - A "Special Mention" asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose

an institution to sufficient risk to warrant adverse classification. Residential loans delinquent 30-89 days are considered special mention.

Table of Contents

Substandard - A “Substandard” asset is inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Residential and consumer and other loans delinquent 90 days or greater are considered substandard.

Doubtful - An asset classified “Doubtful” has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions, and values.

Loss - An asset or portion thereof, classified “Loss” is considered uncollectible and of such little value that its continuance on the institution’s books as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted. This classification does not necessarily mean that an asset has no recovery or salvage value; but rather, there is much doubt about whether, how much, or when the recovery will occur. As such, it is not practical or desirable to defer the write-off.

The following tables present the risk category of loans as of September 30, 2013 and December 31, 2012 by class of loans excluding the PCI loans:

	September 30, 2013					Total
	Pass	Special Mention	Substandard	Doubtful	Loss	
	(In thousands)					
Residential	\$5,027,428	21,964	83,353	—	—	5,132,745
Multi-family	3,497,448	42,375	17,510	—	—	3,557,333
Commercial real estate	2,114,931	20,298	54,870	—	—	2,190,099
Construction	184,513	7,729	26,149	—	—	218,391
Commercial and industrial	189,013	608	5,566	—	—	195,187
Consumer and other	221,826	325	1,878	—	—	224,029
Total	\$11,235,159	93,299	189,326	—	—	11,517,784

	December 31, 2012					Total
	Pass	Special Mention	Substandard	Doubtful	Loss	
	(In thousands)					
Residential	\$4,714,303	45,144	78,266	125	—	4,837,838
Multi-family	2,945,844	31,594	17,614	—	—	2,995,052
Commercial real estate	1,924,655	18,869	22,632	—	—	1,966,156
Construction	160,390	3,315	61,111	—	—	224,816
Commercial and industrial	162,428	3,319	3,196	—	—	168,943
Consumer and other	236,418	1,065	1,238	201	—	238,922
Total	\$10,144,038	103,306	184,057	326	—	10,431,727

Table of Contents

The following tables present the payment status of the recorded investment in past due loans as of September 30, 2013 and December 31, 2012 by class of loans excluding the PCI loans:

	September 30, 2013			Total Past Due	Current	Total Loans Receivable
	30-59 Days	60-89 Days	Greater than 90 Days			
	(In thousands)					
Residential mortgage	\$ 16,003	7,594	64,224	87,821	5,044,924	5,132,745
Multi-family	9,235	3,617	4,848	17,700	3,539,633	3,557,333
Commercial real estate	3,180	253	2,101	5,534	2,184,565	2,190,099
Construction	—	—	13,746	13,746	204,645	218,391
Commercial and industrial	218	320	1,340	1,878	193,309	195,187
Consumer and other	99	268	1,547	1,914	222,115	224,029
Total	\$28,735	12,052	87,806	128,593	11,389,191	11,517,784

	December 31, 2012			Total Past Due	Current	Total Loans Receivable
	30-59 Days	60-89 Days	Greater than 90 Days			
	(In thousands)					
Residential mortgage	\$33,451	11,715	76,088	121,254	4,716,584	4,837,838
Multi-family	191	3,950	11,143	15,284	2,979,768	2,995,052
Commercial real estate	16,469	3,016	753	20,238	1,945,918	1,966,156
Construction	—	—	18,876	18,876	205,940	224,816
Commercial and industrial	631	2,639	375	3,645	165,298	168,943
Consumer and other	881	196	1,238	2,315	236,607	238,922
Total	\$51,623	21,516	108,473	181,612	10,250,115	10,431,727

The following table presents non-accrual loans excluding PCI loans at the dates indicated:

	September 30, 2013		December 31, 2012	
	# of loans	Amount	# of loans	Amount
	(Dollars in thousands)			
Non-accrual:				
Residential and consumer	305	\$75,097	354	\$82,533
Construction	7	14,234	9	25,764
Multi-family	9	16,769	5	11,143
Commercial real estate	3	1,630	4	753
Commercial and industrial	8	1,862	2	375
Total non-accrual loans	332	\$109,592	374	\$120,568

Included in the non-accrual table above are TDR loans whose payment status is current but the Company has classified as non-accrual as the loans have not maintained current payment status for six consecutive months and therefore do not meet the criteria for accrual status. As of September 30, 2013, these loans are comprised of 2 commercial real estate loans totaling \$1.4 million, 4 multi-family loans totaling \$12.4 million, 1 construction loan totaling \$488,000, 1 commercial and industrial loan totaling \$521,000 and 21 residential and consumer loans totaling \$8.1 million. The Company has no loans past due 90 days or more delinquent that are still accruing interest. As of September 30, 2013, there were 11 PCI loans totaling \$6.5 million of which 3 PCI loans totaling \$3.3 million were

current and 8 PCI loans totaling \$3.2 million were 90 days or more delinquent. As of December 31, 2012, there were 12 PCI

28

Table of Contents

loans totaling \$6.7 million of which 8 PCI loans totaling \$5.8 million were current and 4 PCI loans totaling \$966,000 were 90 days or more delinquent.

At September 30, 2013 and December 31, 2012, loans meeting the Company's definition of an impaired loan which were primarily collateral dependent totaled \$67.4 million and \$57.4 million, respectively, with allocations of the allowance for loan losses of \$2.1 million for both periods. During the three months ended September 30, 2013 and 2012, interest income received and recognized on these loans totaled \$508,000 and \$461,000, respectively. During the nine months ended September 30, 2013 and 2012, interest income received and recognized on these loans totaled \$1.6 million and \$1.3 million, respectively.

The following tables present loans individually evaluated for impairment by class of loans as of September 30, 2013 and December 31, 2012:

	September 30, 2013				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(In thousands)				
With no related allowance:					
Residential mortgage	\$3,839	5,499	—	2,689	47
Multi-family	16,510	30,156	—	14,519	542
Commercial real estate	11,739	12,621	—	10,385	515
Construction loans	17,747	27,034	—	21,654	145
Commercial and industrial	1,627	1,627	—	1,392	65
With an allowance recorded:					
Residential mortgage	15,923	16,334	2,074	14,026	317
Total:					
Residential mortgage	19,762	21,833	2,074	16,715	364
Multi-family	16,510	30,156	—	14,519	542
Commercial real estate	11,739	12,621	—	10,385	515
Construction loans	17,747	27,034	—	21,654	145
Commercial and industrial	1,627	1,627	—	1,392	65
Total impaired loans	\$67,385	93,271	2,074	64,665	1,631

Table of Contents

	December 31, 2012				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(In thousands)				
With no related allowance:					
Residential mortgage	\$1,448	2,176	—	1,375	20
Multi-family	10,574	19,336	—	6,764	310
Commercial real estate	7,075	7,476	—	5,081	492
Construction loans	26,314	43,945	—	25,557	384
Commercial and industrial	1,208	1,208	—	641	90
With an allowance recorded:					
Residential mortgage	10,787	11,075	2,142	9,569	283
Multi-family	—	—	—	2,316	—
Construction loans	—	—	—	17,054	—
Total:					
Residential mortgage	12,235	13,251	2,142	10,944	303
Multi-family	10,574	19,336	—	9,080	310
Commercial real estate	7,075	7,476	—	5,081	492
Construction loans	26,314	43,945	—	42,611	384
Commercial and industrial	1,208	1,208	—	641	90
Total impaired loans	\$57,406	85,216	2,142	68,357	1,579

The average recorded investment is the annual average calculated based upon the ending quarterly balances. The interest income recognized is the year to date interest income recognized on a cash basis.

Troubled Debt Restructurings

On a case-by-case basis, the Company may agree to modify the contractual terms of a borrower's loan to remain competitive and assist customers who may be experiencing financial difficulty, as well as preserve the Company's position in the loan. If the borrower is experiencing financial difficulties and a concession has been made at the time of such modification, the loan is classified as a troubled debt restructured loan.

Substantially all of our troubled debt restructured loan modifications involve lowering the monthly payments on such loans through either a reduction in interest rate below a market rate, an extension of the term of the loan, or a combination of these two methods. These modifications rarely result in the forgiveness of principal or accrued interest. In addition, we frequently obtain additional collateral or guarantor support when modifying commercial loans. If the borrower has demonstrated performance under the previous terms and our underwriting process shows the borrower has the capacity to continue to perform under the restructured terms, the loan will continue to accrue interest. Non-accruing restructured loans may be returned to accrual status when there has been a sustained period of repayment performance (generally six consecutive months of payments) and both principal and interest are deemed collectible.

The following table presents the total troubled debt restructured loans as of September 30, 2013 excluding PCI loans:

	Accrual		Non-accrual		Total	
	# of loans	Amount	# of loans	Amount	# of loans	Amount
	(Dollars in thousands)					
Residential and consumer	26	\$8,374	32	\$11,388	58	\$19,762
Multi-family	1	590	4	12,367	5	12,957
Commercial real estate	6	10,379	2	1,361	8	11,740
Commercial and industrial	1	1,106	1	521	2	1,627

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Construction	2	4,056	1	488	3	4,544
	36	\$24,505	40	\$26,125	76	\$50,630

30

Table of Contents

The following tables present information about troubled debt restructurings for the periods presented:

	Three months ended September 30, 2013			2012		
	Number of Loans	Pre-modification Recorded Investment	Post- modification Recorded Investment	Number of Loans	Pre-modification Recorded Investment	Post- modification Recorded Investment
	(Dollars in thousands)					
Troubled Debt Restructurings:						
Residential mortgage	9	\$ 3,225	\$ 2,842	6	\$ 1,912	\$ 1,969
Commercial real estate	—	—	—	1	4,901	4,901
Commercial and industrial	1	521	521	1	1,107	1,107
	Nine months ended September 30, 2013			2012		
	Number of Loans	Pre-modification Recorded Investment	Post- modification Recorded Investment	Number of Loans	Pre-modification Recorded Investment	Post- modification Recorded Investment
	(Dollars in thousands)					
Troubled Debt Restructurings:						
Residential mortgage	20	\$ 8,723	\$ 8,155	15	\$ 3,923	\$ 3,926
Multi-family	3	18,037	10,420	—	—	—
Commercial real estate	4	5,080	4,679	1	4,901	4,901
Construction	1	2,640	2,640	—	—	—
Commercial and industrial	1	521	521	1	1,107	1,107

Post-modification recorded investment represents the balance immediately following modification. Residential mortgage loan modifications primarily involved the reduction in loan interest rate and extension of loan maturity dates.

All TDRs are impaired loans, which are individually evaluated for impairment, as discussed above. Collateral dependent impaired loans classified as TDRs were written down to the estimated fair value of the collateral. There were \$383,000 and \$600,000 in charge-offs for collateral dependent TDRs during the three months ended September 30, 2013 and 2012, respectively. There were \$1.6 million and \$3.5 million in charge-offs for collateral dependent TDRs during the nine months ended September 30, 2013 and 2012. The allowance for loan losses associated with the TDRs presented in the above tables totaled \$2.1 million and \$5.7 million at September 30, 2013 and 2012, respectively.

For the three months ended September 30, 2013, there were 9 residential TDRs that had a weighted average modified interest rate of approximately 3.14% compared to a rate of 4.44% prior to modification. For the nine months ended September 30, 2013, there were 20 residential TDRs that had a weighted average modified interest rate of approximately 3.33% compared to a yield of 5.03% prior to modification. Residential TDRs were modified to reflect a reduction in interest rates to current market rates. Several residential TDRs include step up interest rates in their modified terms which will impact their weighted average rate in the future. There were no TDRs categorized as consumer and other for the three and nine months ended September 30, 2013.

Commercial loan modifications which qualified as a TDR comprised of terms of maturity being extended and reduction in interest rates to current market terms. For the three and nine months ended September 30, 2013, there was 1 commercial and industrial TDR that had a weighted average modified interest rate of approximately 4.00% as compared to a rate of 6.00% prior to modification. There were no commercial real estate, multi-family, and

construction TDRs for the three months ended September 30, 2013. For the nine months ended September 30, 2013, there were 4 commercial real estate TDRs that had a weighted average modified interest rate of approximately 5.41% compared to a rate of 7.29% prior to modification, 3 multi-family TDRs that had a weighted average modified interest rate of approximately 3.81% as compared to a rate of 8.61% prior to modification and 1 construction TDR that had a weighted average modified interest rate of approximately 3.75% as compared to a rate of 5.00% prior to modification. For the three months ended September 30, 2012, there were 6 residential TDRs that had a weighted average modified interest rate of approximately 3.27% compared to a yield of 5.71% prior to modification. For the nine months ended September 30, 2012, there

Table of Contents

were 15 residential TDRs that had a weighted average modified interest rate of approximately 3.11% compared to a yield of 5.75% prior to modification. Several residential TDRs include step up interest rates in their modified terms which will impact their weighted average yield in the future. There was one commercial real estate TDR and one commercial and industrial TDR for the three and nine months ended September 30, 2012. These two loans were to one borrower and were modified to interest only status for a limited period. The loans are well collateralized and pose a low risk of credit loss.

Loans modified as TDRs in the previous 12 months to September 30, 2013, for which there was a payment default consisted of 4 residential loans with a recorded investment of \$1.3 million at September 30, 2013. Loans modified as TDRs in the previous 12 months to September 30, 2012, for which there was a payment default consisted of 4 residential loans with a recorded investment of \$855,000 and 2 construction loans with a recorded investment of \$3.9 million at September 30, 2012.

6. Deposits

Deposits are summarized as follows:

	September 30, 2013	December 31, 2012
	(In thousands)	
Savings	\$1,732,162	1,718,199
Checking accounts	2,696,450	2,498,829
Money market deposits	1,594,389	1,585,865
Certificates of deposits	2,619,334	2,965,964
Total	\$8,642,335	8,768,857

Table of Contents

7. Goodwill and Other Intangible Assets

The carrying amount of goodwill for the period ended September 30, 2013 and December 31, 2012 was approximately \$77.3 million and \$77.1 million, respectively. The change in goodwill for the period was due to adjustments to purchase accounting associated with the acquisition of Marathon Bank, see footnote 2, "Business Combinations."

The following table summarizes other intangible assets as of September 30, 2013 and December 31, 2012:

	Gross Intangible Asset (In thousands)	Accumulated Amortization	Valuation Allowance	Net Intangible Assets
September 30, 2013				
Mortgage servicing rights	\$42,466	(27,804	) (81	) 14,581
Core deposit premiums	14,338	(6,074	) —	8,264
Other	300	(73	) —	227
Total other intangible assets	\$57,104	(33,951	) (81	) 23,072
December 31, 2012				
Mortgage servicing rights	\$37,838	(24,107	) (1,705	) 12,026
Core deposit premiums	14,338	(4,455	) —	9,883
Other	300	(50	) —	250
Total other intangible assets	\$52,476	(28,612	) (1,705	) 22,159

Mortgage servicing rights are accounted for using the amortization method. Under this method, the Company amortizes the loan servicing asset in proportion to, and over the period of, estimated net servicing revenues. The Company sells loans on a servicing-retained basis. Loans that were sold on this basis, amounted to \$1.57 billion and \$1.40 billion at September 30, 2013 and December 31, 2012 respectively, all of which relate to residential mortgage loans. At September 30, 2013 and December 31, 2012, the servicing asset, included in intangible assets, had an estimated fair value of \$14.6 million and \$12.0 million, respectively. Fair value was based on expected future cash flows considering a weighted average discount rate of 10.2%, a weighted average constant prepayment rate on mortgages of 8.45% and a weighted average life of 7.0 years.

Core deposit premiums are amortized using an accelerated method and having a weighted average amortization period of 10 years.

8. Equity Incentive Plan

During the three and nine months ended September 30, 2013, the Company recorded \$895,000 and \$2.6 million of share-based compensation expense, comprised of stock option expense of \$109,000 and \$278,000 and restricted stock expense of \$786,000 and \$2.4 million, respectively. During the three and nine months ended September 30, 2012, the Company recorded \$926,000 and \$2.7 million of share-based compensation expense, comprised of stock option expense of \$106,000 and \$318,000 and restricted stock expense of \$820,000 and \$2.4 million, respectively.

Table of Contents

The following is a summary of the Company's stock option activity and related information for its option plan for the nine months ended September 30, 2013:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2012	4,320,068	\$ 14.98	4.20	\$ 12,083
Granted	190,920	20.65		
Exercised	(313,500)	) 15.23		
Forfeited	(3,500)	) 17.85		
Expired	—	—		
Outstanding at September 30, 2013	4,193,988	\$ 15.22	3.73	\$ 28,015
Exercisable at September 30, 2013	3,916,568	\$ 14.99	3.39	\$ 27,073

There were 190,920 options granted during the nine months ended September 30, 2013. Expected future expense relating to the unvested options outstanding as of September 30, 2013 is \$1.4 million over a weighted average period of 6.25 years.

The following is a summary of the status of the Company's restricted shares as of September 30, 2013 and changes therein during the nine months then ended:

	Number of Shares Awarded	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2012	1,292,739	\$ 13.62
Granted	3,000	18.18
Vested	(219,976)	) 13.49
Forfeited	—	—
Non-vested at September 30, 2013	1,075,763	\$ 13.70

Expected future compensation expense relating to the non-vested restricted shares at September 30, 2013 is \$12.3 million over a weighted average period of 4.49 years.

9. Net Periodic Benefit Plan Expense

The Company has a Supplemental Executive Retirement Wage Replacement Plan (SERP). The SERP is a nonqualified, defined benefit plan which provides benefits to employees as designated by the Compensation Committee of the Board of Directors if their benefits and/or contributions under the pension plan are limited by the Internal Revenue Code. The Company also has a nonqualified, defined benefit plan which provides benefits to certain directors. The SERP and the directors' plan are unfunded and the costs of the plans are recognized over the period that services are provided.

The components of net periodic benefit cost are as follows:

	Three months ended September 30, 2013		Nine months ended September 30, 2013	
	2012	2013	2012	2013
	(In thousands)			
Service cost	\$ 450	328	\$ 1,349	985
Interest cost	227	199	681	597

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Amortization of:

Prior service cost	24	24	73	73
Net gain	165	36	495	109
Total net periodic benefit cost	\$866	587	\$2,598	1,764

34

Table of Contents

Due to the unfunded nature of these plans, no contributions have been made or were expected to be made to the SERP and Directors' plans during the nine months ended September 30, 2013.

The Company also maintains a defined benefit pension plan. Since it is a multiemployer plan, costs of the pension plan are based on contributions required to be made to the pension plan. We contributed \$2.8 million to the defined benefit pension plan during the nine months ended September 30, 2013. We anticipate contributing funds to the plan to meet any minimum funding requirements for the remainder of 2013.

10. Comprehensive Income (Loss)

The components of comprehensive income (loss), both gross and net of tax, are presented for the periods below:

	Three months ended September 30,					
	2013			2012		
	Gross	Tax Benefit (Expense)	Net	Gross	Tax Benefit (Expense)	Net
	(In thousands)					
Net income	\$45,334	(16,053)	29,281	40,425	(15,936)	24,489
Other comprehensive income (loss):						
Change in funded status of retirement obligations	239	(98)	141	121	(49)	72
Unrealized gain (loss) on securities available-for-sale	185	(33)	152	4,865	(1,916)	2,949
Accretion of loss on securities reclassified to held-to-maturity	849	(347)	502	—	—	—
Reclassification adjustment for gains included in net income	—	—	—	139	(57)	82
Other-than-temporary impairment accretion on debt securities	1,084	(443)	641	369	(151)	218
Total other comprehensive income (loss)	2,357	(921)	1,436	5,494	(2,173)	3,321
Total comprehensive income (loss)	\$47,691	(16,974)	30,717	45,919	(18,109)	27,810

Table of Contents

	Nine months ended September 30, 2013			2012		
	Gross	Tax Benefit (Expense)	Net	Gross	Tax Benefit (Expense)	Net
	(In thousands)					
Net income	\$131,190	(46,666)	84,524	109,320	(41,924)	67,396
Other comprehensive income (loss):						
Change in funded status of retirement obligations	717	(293)	424	363	(148)	215
Unrealized (loss) gain on securities available-for-sale	(18,051)	7,437	(10,614)	11,660	(4,462)	7,198
Net loss on securities reclassified from available-for-sale to held-to-maturity	(12,243)	5,001	(7,242)	—	—	—
Accretion of loss on securities reclassified to held-to-maturity	849	(347)	502	—	—	—
Reclassification adjustment for gains included in net income	(684)	279	(405)	176	(72)	104
Other-than-temporary impairment accretion on debt securities	1,745	(713)	1,032	1,108	(453)	655
Total other comprehensive income (loss)	(27,667)	11,364	(16,303)	13,307	(5,135)	8,172
Total comprehensive income (loss)	\$103,523	(35,302)	68,221	122,627	(47,059)	75,568

The following table presents the after-tax changes in the balances of each component of accumulated other comprehensive loss for the nine months ended September 30, 2013 and 2012:

	Change in funded status of retirement obligations	Unrealized gain on securities available-for-sale	Reclassification adjustment for losses included in net income	Other-than- temporary impairment accretion on debt securities	Loss on Securities reclassified to held-to-maturity	Total accumulated other comprehensive loss
Balance - December 31, 2012	\$(5,879)	15,718	(586)	(16,860)	—	(7,607)
Net change	424	(10,614)	(405)	1,032	(6,740)	(16,303)
Balance - September 30, 2013	\$(5,455)	5,104	(991)	(15,828)	(6,740)	(23,910)
Balance - December 31, 2011	\$(3,319)	10,638	(691)	(17,734)	—	(11,106)
Net change	215	7,198	104	655	—	8,172
Balance -September 30, 2012	\$(3,104)	17,836	(587)	(17,079)	—	(2,934)

Table of Contents

The following table sets for information about amounts reclassified from accumulated other comprehensive loss to the consolidated statement of income and the affected line item in the statement where net income is presented.

	Three months ended September 30, 2013 (In thousands)	Nine months ended September 30, 2013
Reclassification adjustment for gains included in net income		
Gain on security transactions	\$—	(684)
Change in funded status of retirement obligations (1)		
Compensation and fringe benefits:		
Amortization of net obligation or asset	8	25
Amortization of prior service cost	37	110
Amortization of net gain	194	583
Compensation and fringe benefits	239	718
Total before tax	239	34
Income (tax) benefit	(98)	(14)
Net of tax	\$ 141	20

(1) These accumulated other comprehensive loss components are included in the computations of net periodic cost for our defined benefit plans and other post-retirement benefit plan. See Note 9 for additional details.

11. Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Our securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets or liabilities on a non-recurring basis, such as held-to-maturity securities, mortgage servicing rights (“MSR”), loans receivable and real estate owned (“REO”). These non-recurring fair value adjustments involve the application of lower-of-cost-or-market accounting or write-downs of individual assets. Additionally, in connection with our mortgage banking activities we have commitments to fund loans held for sale and commitments to sell loans, which are considered free-standing derivative instruments, the fair values of which are not material to our financial condition or results of operations.

In accordance with Financial Accounting Standards Board (“FASB”) ASC 820, “Fair Value Measurements and Disclosures”, we group our assets and liabilities at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques. The results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability.

We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets Measured at Fair Value on a Recurring Basis

Securities available-for-sale

Our available-for-sale portfolio is carried at estimated fair value on a recurring basis, with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income/loss in stockholders' equity. The fair values of available-for-sale securities are based on quoted market prices (Level 1), where available. The Company obtains one price for each security primarily from a third-party pricing service (pricing service), which generally uses quoted or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded (Level 2), the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark yields, credit spreads, default rates, prepayment speeds and non-binding broker quotes. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has not historically resulted in adjustment in the prices obtained from the pricing service.

Table of Contents

The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a recurring basis at September 30, 2013 and December 31, 2012, respectively.

	Carrying Value at September 30, 2013			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Securities available for sale:				
Equity securities	\$4,320	—	4,320	—
Debt securities:				
Government-sponsored enterprises	3,013	—	3,013	—
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	381,021	—	381,021	—
Federal National Mortgage Association	427,435	—	427,435	—
Government National Mortgage Association	707	—	707	—
Total mortgage-backed securities available-for-sale	809,163	—	809,163	—
Total securities available-for-sale	\$816,496	—	816,496	—

	Carrying Value at December 31, 2012			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Securities available for sale:				
Equity securities	\$4,161	—	4,161	—
Debt securities:				
Government-sponsored enterprises	3,035	—	3,035	—
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	667,517	—	667,517	—
Federal National Mortgage Association	706,128	—	706,128	—
Government National Mortgage Association	4,487	—	4,487	—
Total mortgage-backed securities available-for-sale	1,378,132	—	1,378,132	—
Total securities available-for-sale	\$1,385,328	—	1,385,328	—

There have been no changes in the methodologies used at September 30, 2013 from December 31, 2012, and there were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2013.

Assets Measured at Fair Value on a Non-Recurring Basis

Mortgage Servicing Rights, net

Mortgage servicing rights (MSR) are carried at the lower of cost or estimated fair value. The estimated fair value of MSR is obtained through independent third party valuations through an analysis of future cash flows, incorporating estimates of assumptions market participants would use in determining fair value including market discount rates, prepayment speeds, servicing income, servicing costs, default rates and other market driven data, including the market's perception of future interest rate movements. The prepayment speed and the discount rate are considered two of the most significant inputs in the model. At September 30, 2013, the fair value model used prepayment speeds ranging from 1.8% to 21.6% and a discount rate of 10.2% for the valuation of the mortgage servicing rights. A significant degree of judgment is involved in valuing the mortgage servicing rights using Level 3 inputs. The use of different assumptions could have a significant positive or negative effect on the fair value estimate.

Table of Contents

Loans Receivable

Loans which meet certain criteria are evaluated individually for impairment. A loan is deemed to be impaired if it is a commercial real estate, multi-family or construction loan, with an outstanding balance greater than \$1.0 million and on non-accrual status, loans modified in a troubled debt restructuring, and other loans with \$1.0 million in outstanding principal if management has specific information of a collateral shortfall. Our impaired loans are generally collateral dependent and, as such, are carried at the estimated fair value of the collateral less estimated selling costs. In order to estimate fair value, once interest or principal payments are 90 days delinquent or when the timely collection of such income is considered doubtful an updated appraisal is obtained. Thereafter, in the event the most recent appraisal does not reflect the current market conditions due to the passage of time and other factors, management will obtain an updated appraisal or make downward adjustments to the existing appraised value based on their knowledge of the property, local real estate market conditions, recent real estate transactions, and for estimated selling costs, if applicable. At September 30, 2013, appraisals were discounted in a range of 0%-25%.

Other Real Estate Owned

Other Real Estate Owned is recorded at estimated fair value, less estimated selling costs when acquired, thus establishing a new cost basis using Level 3 inputs. Fair value is generally based on independent appraisals. These appraisals include adjustments to comparable assets based on the appraisers' market knowledge and experience, and are discounted an additional 0%-25% for estimated costs to sell. When an asset is acquired, the excess of the loan balance over fair value, less estimated selling costs, is charged to the allowance for loan losses. If the estimated fair value of the asset declines, a writedown is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. Operating costs after acquisition are generally expensed.

The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a non-recurring basis at September 30, 2013 and December 31, 2012, respectively.

	Carrying Value at September 30, 2013			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
MSR, net	\$ 14,677	—	—	14,677
Impaired loans	246	—	—	246
Other real estate owned	1,127	—	—	1,127
	\$ 16,050	—	—	16,050
	Carrying Value at December 31, 2012			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
MSR, net	\$ 12,025	—	—	12,025
Impaired loans	50,470	—	—	50,470
Other real estate owned	8,093	—	—	8,093
	\$ 70,588	—	—	70,588

Other Fair Value Disclosures

Fair value estimates, methods and assumptions for the Company's financial instruments not recorded at fair value on a recurring or non-recurring basis are set forth below.

Cash and Cash Equivalents

For cash and due from banks, the carrying amount approximates fair value.

Table of Contents

Securities held-to-maturity

Our held-to-maturity portfolio, consisting primarily of mortgage backed securities and other debt securities for which we have a positive intent and ability to hold to maturity, is carried at amortized cost. Management utilizes various inputs to determine the fair value of the portfolio. The Company obtains one price for each security primarily from a third-party pricing service, which generally uses quoted or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark yields, credit spreads, default rates, prepayment speeds and non-binding broker quotes. In the absence of quoted prices and in an illiquid market, valuation techniques, which require inputs that are both significant to the fair value measurement and unobservable, are used to determine fair value of the investment. Valuation techniques are based on various assumptions, including, but not limited to cash flows, discount rates, rate of return, adjustments for nonperformance and liquidity, and liquidation values. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has not historically resulted in adjustment in the prices obtained from the pricing service.

FHLB Stock

The fair value of FHLB stock is its carrying value, since this is the amount for which it could be redeemed. There is no active market for this stock and the Bank is required to hold a minimum investment based upon the unpaid principal of home mortgage loans and/or FHLB advances outstanding.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential mortgage and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories.

The fair value of performing loans, except residential mortgage loans, is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. For performing residential mortgage loans, fair value is estimated by discounting contractual cash flows adjusted for prepayment estimates using discount rates based on secondary market sources adjusted to reflect differences in servicing and credit costs, if applicable. Fair value for significant nonperforming loans is based on recent external appraisals of collateral securing such loans, adjusted for the timing of anticipated cash flows. Fair values estimated in this manner do not fully incorporate an exit price approach to fair value, but instead are based on a comparison to current market rates for comparable loans.

Deposit Liabilities

The fair value of deposits with no stated maturity, such as savings, checking accounts and money market accounts, is equal to the amount payable on demand. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates which approximate currently offered for deposits of similar remaining maturities.

Borrowings

The fair value of borrowings are based on securities dealers' estimated fair values, when available, or estimated using discounted contractual cash flows using rates which approximate the rates offered for borrowings of similar remaining maturities.

Table of Contents

Commitments to Extend Credit

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For commitments to originate fixed rate loans, fair value also considers the difference between current levels of interest rates and the committed rates. Due to the short-term nature of our outstanding commitments, the fair values of these commitments are immaterial to our financial condition.

The carrying values and estimated fair values of the Company's financial instruments are presented in the following table.

	September 30, 2013				
	Carrying value (In thousands)	Estimated Fair Value Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 168,329	168,329	168,329	—	—
Securities available-for-sale	816,496	816,496	—	816,496	—
Securities held-to-maturity	670,958	687,130	—	637,172	49,958
Stock in FHLB	192,883	192,883	192,883	—	—
Loans held for sale	9,130	9,130	—	9,130	—
Net loans	11,374,012	11,223,224	—	—	11,223,224
Financial liabilities:					
Deposits, other than time deposits	6,023,001	5,687,952	5,687,952	—	—
Time deposits	2,619,334	2,642,236	—	2,642,236	—
Borrowed funds	3,796,112	3,823,706	—	3,823,706	—
December 31, 2012					
	Carrying value (In thousands)	Estimated Fair Value Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 155,153	155,153	155,153	—	—
Securities available-for-sale	1,385,328	1,385,328	—	1,385,328	—
Securities held-to-maturity	179,922	198,893	—	159,599	39,294
Stock in FHLB	150,501	150,501	150,501	—	—
Loans held for sale	28,233	28,233	—	28,233	—
Net loans	10,306,786	10,379,358	—	—	10,379,358
Financial liabilities:					
Deposits, other than time deposits	5,802,893	5,852,821	5,852,821	—	—
Time deposits	2,965,964	3,009,237	—	3,009,237	—
Borrowed funds	2,705,652	2,804,113	—	2,804,113	—

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Table of Contents

Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets that are not considered financial assets include deferred tax assets, premises and equipment and bank owned life insurance. Liabilities for pension and other postretirement benefits are not considered financial liabilities. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

12. Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, in conjunction with the IASB's issuance of amendments to Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). While the Boards retained the existing offsetting models under U.S. GAAP and IFRS, the new standards require disclosures to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. The adoption of this pronouncement did not have a material impact on the Company's financial condition or results of operations.

In January 2013, the FASB issued ASU 2013-01, Scope of Disclosures about Offsetting Assets and Liabilities. The main provision of ASU 2013-1 is to clarify the scope of the new offsetting disclosures required under ASU 2011-11 to derivatives, including bifurcated embedded derivatives; repurchase and reverse repurchase agreements and securities borrowing and lending transactions that are either offset in the statement of financial position or subject to an enforceable master netting arrangement regardless of their presentation in the financial statements. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company's financial condition or results of operations.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". This ASU requires entities to disclose the effect of items reclassified out of accumulated other comprehensive income (AOCI) on each affected net income line item. For AOCI reclassification items that are not reclassified in their entirety into net income, a cross reference to other required US GAAP disclosures. This information may be provided either in the notes or parenthetically on the face of the financials. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2012 and interim periods within those years. The Company has presented comprehensive income in a separate Consolidated Statements of Comprehensive Income and in Note 10 of the Notes to Consolidated Financial Statements.

In July 2013, the FASB issued ASU 2013-11, "Income Taxes, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists". The amendments of this update state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company's financial condition or results of operations.

13. Subsequent Events

As defined in FASB ASC 855, "Subsequent Events", subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or available to be issued. Financial statements are considered issued when they are widely distributed to shareholders and other financial statement users for general use and reliance in a form and format that complies with GAAP.

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On October 24, 2013, the Company declared a cash dividend of \$0.05 per share to stockholders of record as of November 8, 2013, payable on November 22, 2013.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

Certain statements contained herein are not based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "estimate," "anticipate," "continue," or similar terms, variations on those terms, or the negative of those terms. Forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, those related to the economic environment, particularly in the market areas in which Investors Bancorp, Inc. (the "Company") operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations or interpretations of regulations affecting financial institutions, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset-liability management, the financial and securities markets and the availability of and costs associated with sources of liquidity.

The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company wishes to advise that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not undertake and specifically declines any obligation to publicly release the result of any revisions, which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events except as may be required by law.

Critical Accounting Policies

We consider accounting policies that require management to exercise significant judgment or discretion or to make significant assumptions that have, or could have, a material impact on the carrying value of certain assets or on income, to be critical accounting policies. We consider the following to be our critical accounting policies.

Allowance for Loan Losses. The allowance for loan losses is the estimated amount considered necessary to cover credit losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses that is charged against income. In determining the allowance for loan losses, we make significant estimates and, therefore, have identified the allowance as a critical accounting policy. The methodology for determining the allowance for loan losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.

The allowance for loan losses has been determined in accordance with U.S. generally accepted accounting principles, under which we are required to maintain an allowance for probable losses at the balance sheet date. We are responsible for the timely and periodic determination of the amount of the allowance required. We believe that our allowance for loan losses is adequate to cover specifically identifiable losses, as well as estimated losses inherent in our portfolio for which certain losses are probable but not specifically identifiable.

Management performs a quarterly evaluation of the adequacy of the allowance for loan losses. The analysis of the allowance for loan losses has two components: specific and general allocations. Specific allocations are made for loans determined to be impaired. A loan is deemed to be impaired if it is a commercial real estate, multi-family or construction loan with an outstanding balance greater than \$1.0 million and on non-accrual status, loans modified in a troubled debt restructuring, and other commercial real estate loans with an outstanding balance greater than \$1.0 million if management has specific information of a collateral shortfall. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. The general allocation is determined by segregating the remaining loans, including those loans not meeting the Company's definition of an impaired loan, by type of loan, risk weighting (if applicable) and payment history. We also analyze historical loss experience, delinquency trends, general economic

conditions, geographic concentrations, and industry and peer comparisons. This analysis establishes factors that are applied to the loan groups to determine the amount of the general allocations. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revisions based upon changes in economic and real estate market conditions. Actual loan losses may be significantly more than the allowance for loan losses we have established which could have a material negative effect on our financial results.

Table of Contents

Purchased Credit-Impaired ("PCI") loans, are loans acquired at a discount that is due, in part, to credit quality. PCI loans are accounted for in accordance with ASC Subtopic 310-30 and are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance (i.e., the allowance for loan losses). The difference between the undiscounted cash flows expected at acquisition and the initial carrying amount (fair value) of the PCI loans, or the "accretable yield," is recognized as interest income utilizing the level-yield method over the life of the loans. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "non-accretable difference," are not recognized as a yield adjustment, as a loss accrual or a valuation allowance. Reclassifications of the non-accretable difference to the accretable yield may occur subsequent to the loan acquisition dates due to increases in expected cash flows of the loans and result in an increase in yield on a prospective basis. On a quarterly basis, the Company analyzes the actual cash flow versus the forecasts and any adjustments to credit loss expectations are made based on actual loss recognized as well as changes in the probability of default. For period in which cash flows aren't reforecasted, prior period's estimated cash flows are adjusted to reflect the actual cash received and credit events which occurred during the current reporting period.

On a quarterly basis, management's Allowance for Loan Loss Committee reviews the current status of various loan assets in order to evaluate the adequacy of the allowance for loan losses. In this evaluation process, specific loans are analyzed to determine their potential risk of loss. This process includes all loans, concentrating on non-accrual and classified loans. Each non-accrual or classified loan is evaluated for potential loss exposure. Any shortfall results in a recommendation of a specific allowance if the likelihood of loss is evaluated as probable. To determine the adequacy of collateral on a particular loan, an estimate of the fair market value of the collateral is based on the most current appraised value available. This appraised value is then reduced to reflect estimated liquidation expenses.

The results of this quarterly process are summarized along with recommendations and presented to Executive and Senior Management for their review. Based on these recommendations, loan loss allowances are approved by Executive and Senior Management. All supporting documentation with regard to the evaluation process, loan loss experience, allowance levels and the schedules of classified loans are maintained by the Lending Administration Department. A summary of loan loss allowances is presented to the Board of Directors on a quarterly basis.

Our primary lending emphasis has been the origination of commercial real estate loans, multi-family loans and the origination and purchase of residential mortgage loans. We also originate commercial and industrial loans, construction loans, business lending, home equity loans and home equity lines of credit. These activities resulted in loan concentration of loans secured by real property located in New Jersey and New York. As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisal valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans.

For commercial real estate, construction and multi-family loans, the Company obtains an appraisal for all collateral dependent loans upon origination and an updated appraisal in the event interest or principal payments are 90 days delinquent or when the timely collection of such income is considered doubtful. This is done in order to determine the specific reserve needed upon initial recognition of a collateral dependent loan as non-accrual and/or impaired. In subsequent reporting periods, as part of the allowance for loan loss process, the Company reviews each collateral dependent commercial real estate loan previously classified as non-accrual and/or impaired and assesses whether there has been an adverse change in the collateral value supporting the loan. The Company utilizes information from its commercial lending officers and its loan workout department's knowledge of changes in real estate conditions in our lending area to identify if possible deterioration of collateral value has occurred. Based on the severity of the changes in market conditions, management determines if an updated appraisal is warranted or if downward adjustments to the previous appraisal are warranted. If it is determined that the deterioration of the collateral value is significant enough to warrant ordering a new appraisal, an estimate of the downward adjustments to the existing appraised value is used in assessing if additional specific reserves are necessary until the updated appraisal is received.

For homogeneous residential mortgage loans, the Company's policy is to obtain an appraisal upon the origination of the loan and an updated appraisal in the event a loan becomes 90 days delinquent. Thereafter, the appraisal is updated every two years if the loan remains in non-performing status and the foreclosure process has not been completed. Management adjusts the appraised value of residential loans to reflect estimated selling costs and estimated declines in the real estate market, taking into consideration the estimated length of time to complete the foreclosure process. In determining the allowance for loan losses, management believes the potential for outdated appraisals has been mitigated for impaired loans and other non-performing loans. As described above, the loans are individually assessed to determine that the loan's carrying value is not in excess of the fair value of the collateral. Loans are generally charged off after an analysis is completed which indicates that collectability of the full principal balance is in doubt. Based on the composition of our loan portfolio, we

Table of Contents

believe the primary risks are increases in interest rates, a continued decline in the general economy, and a further decline in real estate market values in New Jersey, New York and surrounding states. Any one or combination of these events may adversely affect our loan portfolio resulting in increased delinquencies, loan losses and future levels of loan loss provisions. We consider it important to maintain the ratio of our allowance for loan losses to total loans at an adequate level given current economic conditions, interest rates, and the composition of the portfolio.

Our allowance for loan losses reflects probable losses considering, among other things, the continued adverse economic conditions, the actual growth and change in composition of our loan portfolio, the level of our non-performing loans and our charge-off experience. We believe the allowance for loan losses reflects the inherent credit risk in our portfolio.

Although we believe we have established and maintained the allowance for loan losses at adequate levels, additions may be necessary if the current economic environment continues or deteriorates. Management uses the best information available; however, the level of the allowance for loan losses remains an estimate that is subject to significant judgment and short-term change. In addition, the Federal Deposit Insurance Corporation and the New Jersey Department of Banking and Insurance, as an integral part of their examination process, will periodically review our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

Deferred Income Taxes. The Company records income taxes in accordance with ASC 740, "Income Taxes," as amended, using the asset and liability method. Accordingly, deferred tax assets and liabilities: (i) are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns; (ii) are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases; and (iii) are measured using enacted tax rates expected to apply in the years when those temporary differences are expected to be recovered or settled. Where applicable, deferred tax assets are reduced by a valuation allowance for any portions determined not likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period of enactment. The valuation allowance is adjusted, by a charge or credit to income tax expense, as changes in facts and circumstances warrant.

Asset Impairment Judgments. Certain of our assets are carried on our consolidated balance sheets at cost, fair value or at the lower of cost or fair value. Valuation allowances or write-downs are established when necessary to recognize impairment of such assets. We periodically perform analyses to test for impairment of such assets. In addition to the impairment analyses related to our loans discussed above, another significant impairment analysis is the determination of whether there has been an other-than-temporary decline in the value of one or more of our securities.

Our available-for-sale portfolio is carried at estimated fair value, with any unrealized gains or losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholders' equity. While the Company does not intend to sell these securities, and it is more likely than not that we will not be required to sell these securities before their anticipated recovery of the remaining amortized cost basis, the Company has the ability to sell the securities. Our held-to-maturity portfolio, consisting primarily of mortgage backed securities and other debt securities for which we have a positive intent and ability to hold to maturity, is carried at amortized cost. We conduct a periodic review and evaluation of the securities portfolio to determine if the value of any security has declined below its cost or amortized cost, and whether such decline is other-than-temporary. Management utilizes various inputs to determine the fair value of the portfolio. To the extent they exist, unadjusted quoted market prices in active markets (level 1) or quoted prices on similar assets (level 2) are utilized to determine the fair value of each investment in the portfolio. In the absence of quoted prices and in an illiquid market, valuation techniques, which require inputs that are both significant to the fair value measurement and unobservable (level 3), are used to determine fair value of the investment. Valuation techniques are based on various assumptions, including, but not limited to cash flows, discount rates, rate of return, adjustments for nonperformance and liquidity, and liquidation values. Management is required to use a significant degree of judgment when the valuation of investments includes unobservable inputs. The use of different assumptions could have a positive or negative effect on our consolidated financial condition or results of operations.

The fair values of our securities portfolio are also affected by changes in interest rates. When significant changes in interest rates occur, we evaluate our intent and ability to hold the security to maturity or for a sufficient time to recover our recorded investment balance.

If a determination is made that a debt security is other-than-temporarily impaired, the Company will estimate the amount of the unrealized loss that is attributable to credit and all other non-credit related factors. The credit related component will be recognized as an other-than-temporary impairment charge in non-interest income as a component of gain (loss) on securities and amortized over the remaining life of the investment to interest income, net. The non-credit related component will be recorded as an adjustment to accumulate other comprehensive income, net of tax.

Table of Contents

Goodwill Impairment. Goodwill is presumed to have an indefinite useful life and is tested, at least annually, for impairment at the reporting unit level. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. For purposes of our goodwill impairment testing, we have identified a single reporting unit.

In connection with our annual impairment assessment we applied the guidance in FASB Accounting Standards Update (“ASU”) 2011-08, Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying the two-step goodwill impairment test.

Valuation of Mortgage Servicing Rights (MSR). The initial asset recognized for originated MSR is measured at fair value. The fair value of MSR is estimated by reference to current market values of similar loans sold with servicing released. MSR are amortized in proportion to and over the period of estimated net servicing income. We apply the amortization method for measurements of our MSR. MSR are assessed for impairment based on fair value at each reporting date. MSR impairment, if any, is recognized in a valuation allowance through charges to earnings as a component of fees and service charges. Subsequent increases in the fair value of impaired MSR are recognized only up to the amount of the previously recognized valuation allowance.

We assess impairment of our MSR based on the estimated fair value of those rights with any impairment recognized through a valuation allowance. The estimated fair value of the MSR is obtained through independent third party valuations through an analysis of future cash flows, incorporating estimates of assumptions market participants would use in determining fair value including market discount rates, prepayment speeds, servicing income, servicing costs, default rates and other market driven data, including the market's perception of future interest rate movements. The allowance is then adjusted in subsequent periods to reflect changes in the measurement of impairment. All assumptions are reviewed for reasonableness on a quarterly basis to ensure they reflect current and anticipated market conditions.

The fair value of MSR is highly sensitive to changes in assumptions. Changes in prepayment speed assumptions and discount rate generally have the most significant impact on the fair value of our MSR. Generally, as interest rates decline, mortgage loan prepayments accelerate due to increased refinance activity, which results in a decrease in the fair value of MSR. As interest rates rise, mortgage loan prepayments slow down, which results in an increase in the fair value of MSR. Thus, any measurement of the fair value of our MSR is limited by the conditions existing and the assumptions utilized as of a particular point in time, and those assumptions may not be appropriate if they are applied at a different point in time.

Core Deposit Premiums. Core deposit premiums represent the intangible value of depositor relationships assumed in purchase acquisitions and are amortized on an accelerated basis over 10 years. The Company periodically evaluates the value of core deposit premiums to ensure the carrying amount exceeds its implied fair value.

Stock-Based Compensation. We recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards in accordance with ASC 718, “Compensation-Stock Compensation”.

We estimate the per share fair value of option grants on the date of grant using the Black-Scholes option pricing model using assumptions for the expected dividend yield, expected stock price volatility, risk-free interest rate and expected option term. These assumptions are subjective in nature, involve uncertainties and, therefore, cannot be determined with precision. The Black-Scholes option pricing model also contains certain inherent limitations when applied to options that are not traded on public markets.

The per share fair value of options is highly sensitive to changes in assumptions. In general, the per share fair value of options will move in the same direction as changes in the expected stock price volatility, risk-free interest rate and expected option term, and in the opposite direction as changes in the expected dividend yield. For example, the per share fair value of options will generally increase as expected stock price volatility increases, risk-free interest rate increases, expected option term increases and expected dividend yield decreases. The use of different assumptions or different option pricing models could result in materially different per share fair values of options.

Executive Summary

Investors Bancorp's fundamental business strategy is to be a well capitalized, full service, community bank which provides high quality customer service and competitively priced products and services to individuals and businesses in the communities we serve.

Our results of operations depend primarily on net interest income, which is directly impacted by the market interest rate environment. Net interest income is the difference between the interest income we earn on our interest-earning assets, primarily mortgage loans and investment securities, and the interest we pay on our interest-bearing liabilities, primarily interest-bearing transaction accounts, time deposits, and borrowed funds. Net interest income is affected by the level of interest rates, the shape

Table of Contents

of the market yield curve, the timing of the placement and the re-pricing of interest-earning assets and interest-bearing liabilities on our balance sheet, and the prepayment rate on our mortgage-related assets.

The continued low interest rate environment has resulted in our earning assets being refinanced at lower yields and new assets being originated at lower yields. The Company has been able to partially offset the yield compression by lowering the interest rates on our interest bearing liabilities. However, a steepening in the treasury curve during the quarter resulted in a reduction in mortgage refinance activity and an improvement in new loan origination yields. The Company continues to actively manage its interest rate risk as the current interest rate environment is forecasted to remain at current levels, with no increase in short-term rates likely until mid 2014. If this interest rate and steeper yield curve environment continue, the Company will likely be subject to near-term net interest income compression, but then may experience an improvement in net interest income, particularly if short-term interest rates remain unchanged as forecasted, and the Company's rates on interest bearing liabilities do not increase as quickly as interest rates on its earning assets. In addition, the current slow down in mortgage banking activity will result in lower gains on sales of loans in comparison to prior year results. The Company will continue to manage its interest rate risk. The Company's results of operations are also significantly affected by general economic conditions. There is still uncertainty with respect to government regulation, Affordable Health Care Act, budget deficits, debt levels and sluggish growth. The national and regional unemployment rates remain at elevated levels. These factors coupled with the weakness in the housing and real estate markets have resulted in the Company's prudent approach to credit quality, recognizing higher credit costs on the loan portfolio. Despite these conditions, our overall level of non-performing loans remains low compared to our national and regional peers. We attribute this to our conservative underwriting standards, as well as our diligence in resolving our problem loans.

We continue to grow and transform the composition of our balance sheet. For the nine months ended September 30, 2013, loans increased by \$1.1 billion or 10% as loan demand remains strong, especially in the multi-family lending area in New York City. Commercial loans represent approximately 55% of our loan portfolio, which has been a steady transformation since December 2009 when commercial loans were approximately 26% of total loans. Additionally, we remain focused on changing the deposit mix as core deposit accounts (savings, checking, and money market) of \$6.0 billion represent approximately 70% of total deposits as of September 30, 2013.

The Company is awaiting regulatory approval on the announced acquisitions of Roma Financial Corporation, with approximately \$1.7 billion in assets, as well as Gateway Community Financial Corp, with approximately \$303 million in assets. The Company has received approval of the proposed Roma transaction from the New Jersey Department of Banking and the FDIC in June, and is currently awaiting Federal Reserve approval. The geographic market areas of both Roma and Gateway have tremendous potential and expands our footprint from the suburbs of Philadelphia to the boroughs of New York and Long Island.

We continue to stay focused on the execution of our strategic business plan to become a premier commercial banking franchise headquartered in the New Jersey- New York region. The Company will continue to enhance shareholder value through its strategic capital initiatives, including growth both organically and through acquisitions, dividend payments, and a potential second step equity offering.

Comparison of Financial Condition at September 30, 2013 and December 31, 2012

Total Assets. Total assets increased by \$1.08 billion, or 8.5%, to \$13.81 billion at September 30, 2013 from \$12.72 billion at December 31, 2012. This increase was largely the result of net loans, including loans held for sale, increasing \$1.05 billion to \$11.38 billion at September 30, 2013 from \$10.34 billion at December 31, 2012.

Net Loans. Net loans, including loans held for sale, increased by \$1.05 billion, or 10.1%, to \$11.38 billion at September 30, 2013 from \$10.34 billion at December 31, 2012. At September 30, 2013, total loans were \$11.53 billion which included \$5.13 billion in residential loans, \$3.56 billion in multi-family loans, \$2.20 billion in commercial real estate loans, \$218.4 million in construction loans, \$224.0 million in consumer and other loans and \$195.2 million in commercial and industrial loans. For the nine months ended September 30, 2013, we originated \$980.7 million in multi-family loans, \$317.5 million in commercial real estate loans, \$158.6 million in commercial and industrial loans, \$60.2 million in consumer and other loans and \$50.5 million in construction loans. This increase in loans reflects our continued focus on generating multi-family and commercial real estate loans, which was partially

offset by pay downs and payoffs of loans. The loans we originate and purchase are on properties located primarily in New Jersey and New York.

We originate residential mortgage loans through our mortgage subsidiary, Investors Home Mortgage Co. For the nine months ended September 30, 2013, Investors Home Mortgage Co. originated \$1.27 billion in residential mortgage loans of which \$334.7 million were for sale to third party investors and \$933.3 million were added to our portfolio. We also purchased mortgage loans from correspondent entities including other banks and mortgage bankers. Our agreements with these correspondent entities require them to originate loans that adhere to our underwriting standards. During the nine months September 30, 2013, we purchased loans totaling \$793.2 million from these entities.

Table of Contents

The Company also originates interest-only one- to four-family mortgage loans in which the borrower makes only interest payments for the first five, seven or ten years of the mortgage loan term. This feature will result in future increases in the borrower's loan repayment when the contractually required repayments increase due to the required amortization of the principal amount. These payment increases could affect the borrower's ability to repay the loan. The amount of interest-only one- to four-family mortgage loans outstanding was \$348.9 million for both periods ended September 30, 2013 and December 31, 2012. The ability of borrowers to repay their obligations are dependent upon various factors including the borrowers' income and net worth, cash flows generated by the underlying collateral, value of the underlying collateral and priority of the Company's lien on the property. Such factors are dependent upon various economic conditions and individual circumstances beyond the Company's control. The Company is, therefore, subject to risk of loss. The Company maintains stricter underwriting criteria for these interest-only loans than it does for its amortizing loans. The Company believes these criteria adequately reduce the potential exposure to such risks and that adequate provisions for loan losses are provided for all known and inherent risks.

Our past due loans and non-accrual loans discussed below exclude certain purchased credit impaired (PCI) loans, primarily consisting of loans recorded in the acquisition of Marathon. Under U.S. GAAP, the PCI loans (acquired at a discount that is due, in part, to credit quality) are not subject to delinquency classification in the same manner as loans originated by Investors. The following table sets forth non-accrual loans and accruing past due loans (excluding PCI loans of \$3.2 million at September 30, 2013) on the dates indicated as well as certain asset quality ratios.

	September 30, 2013		June 30, 2013		March 31, 2013		December 31, 2012		September 30, 2012	
	# of Loans	Amount	# of Loans	Amount	# of Loans	Amount	# of Loans	Amount	# of Loans	Amount
	(Dollars in millions)									
Residential and consumer	305	\$75.1	286	\$72.0	328	\$84.1	354	\$82.5	335	\$81.2
Construction	7	14.2	9	21.8	9	24.1	9	25.8	9	26.6
Multi-family	9	16.8	10	17.2	7	14.5	5	11.1	6	12.0
Commercial	3	1.6	3	2.0	6	10.2	4	0.8	1	0.8
Commercial and industrial	8	1.9	6	1.5	6	2.8	2	0.4	1	0.1
Total non-accrual loans	332	\$109.6	314	\$114.5	356	\$135.7	374	\$120.6	352	\$120.7
Accruing troubled debt restructured loans	36	\$24.5	29	\$19.7	18	\$9.0	22	\$15.8	18	\$14.8
Non-accrual loans to total loans		0.95 %		1.05 %		1.28 %		1.16 %		1.28 %
Allowance for loan loss as a percent of non-accrual loans		152.18 %		134.90 %		110.21 %		117.92 %		108.79 %
		1.45 %		1.40 %		1.41 %		1.36 %		1.39 %

Allowance
for loan loss
as a percent
of total loans

Total non-accrual loans decreased by \$11.0 million to \$109.6 million at September 30, 2013 compared to \$120.6 million at December 31, 2012 as we continue to diligently resolve our troubled loans. Our allowance for loan loss as a percent of total loans is 1.45%. At September 30, 2013, there were \$50.6 million of loans deemed troubled debt restructuring, of which \$24.5 million were accruing and \$26.1 million were on non-accrual.

In addition to non-accrual loans we continue to monitor our portfolio for potential problem loans. Potential problem loans are defined as loans about which we have concerns as to the ability of the borrower to comply with the present loan repayment terms and which may cause the loan to be placed on non-accrual status. As of September 30, 2013, there was 4 commercial real

48

Table of Contents

estate loans in the amount of \$3.4 million, 6 multi-family loans in the amount of \$12.9 million and 3 commercial and industrial loans totaling \$538,000 that the Company has deemed as potential problem loans. Management is actively monitoring these loans.

The ratio of non-accrual loans to total loans was 0.95% at September 30, 2013 compared to 1.16% at December 31, 2012. The allowance for loan losses as a percentage of non-accrual loans was 152.18% at September 30, 2013 compared to 117.92% at December 31, 2012. At September 30, 2013, our allowance for loan losses as a percentage of total loans was 1.45% compared to 1.36% at December 31, 2012.

At September 30, 2013, loans meeting the Company's definition of an impaired loan were primarily collateral-dependent loans and totaled \$67.4 million of which \$15.9 million of impaired loans had a specific allowance for credit losses of \$2.1 million and \$51.5 million of impaired loans had no specific allowance for credit losses. At December 31, 2012, loans meeting the Company's definition of an impaired loan were primarily collateral dependent and totaled \$57.4 million, of which \$10.8 million of impaired loans had a related allowance for credit losses of \$2.1 million and \$46.6 million of impaired loans had no related allowance for credit losses.

At September 30, 2013, there were 18 commercial loans totaling \$30.9 million and 58 residential loans totaling \$19.7 million which are deemed troubled debt restructurings. At September 30, 2013, there were 8 of the commercial loans totaling \$14.8 million and 32 of the residential loans totaling \$11.4 million included in non-accrual loans.

The following table sets forth the allowance for loan losses at September 30, 2013 and December 31, 2012 allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	September 30, 2013		December 31, 2012		
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	
	(Dollars in thousands)				
End of period allocated to:					
Residential mortgage loans	\$51,075	44.55	% \$45,369	46.35	%
Multi-family	35,324	30.87	% 29,853	28.70	%
Commercial real estate	44,615	19.06	% 33,347	18.89	%
Construction loans	12,377	1.89	% 16,062	2.15	%
Commercial and industrial	6,754	1.69	% 4,094	1.62	%
Consumer and other loans	2,150	1.94	% 2,086	2.29	%
Unallocated	14,484	—	11,361	—	
Total allowance	\$166,779	100.00	% \$142,172	100.00	%

The allowance for loan losses increased by \$24.6 million to \$166.8 million at September 30, 2013 from \$142.2 million at December 31, 2012. The increase in our allowance for loan losses is due to the growth of the loan portfolio and the increased credit risk in our overall portfolio, particularly the inherent credit risk associated with commercial real estate lending.

Future increases in the allowance for loan losses may be necessary based on the growth and composition of the loan portfolio, the level of loan delinquency and the impact of the deterioration of the real estate and economic environments in our lending area. Although we use the best information available, the level of allowance for loan losses remains an estimate that is subject to significant judgment and short-term change. See "Critical Accounting Policies."

Securities. Securities, in the aggregate, decreased by \$77.8 million, or 5.0%, to \$1.49 billion at September 30, 2013. The decrease in the portfolio was primarily due to normal pay downs or maturities during the nine months ended September 30, 2013 and the decrease in fair value of available for sale securities of \$19.0 million from December 31, 2012. During the second quarter of 2013, the Company reclassified \$524.0 million of securities available for sale to securities held to maturity as the Company has the intent and ability to hold these securities until maturity.

Table of Contents

Goodwill, Stock in the Federal Home Loan Bank, Bank Owned Life Insurance. At September 30, 2013 and December 31, 2012, goodwill was \$77.3 million and \$77.1 million. The amount of stock we own in the Federal Home Loan Bank of New York ("FHLB") increased \$42.4 million from \$150.5 million at December 31, 2012 to \$192.9 million at September 30, 2013 as a result of an increase in our level of borrowings. Bank owned life insurance was \$116.1 million at September 30, 2013 compared to \$113.9 million at December 31, 2012.

Deposits. Deposits decreased by \$126.5 million or 1.4% from \$8.77 billion at December 31, 2012 to \$8.64 billion at September 30, 2013. This was attributed to a decrease in certificates of deposit of \$346.6 million, offset by an increase in core deposits of \$220.1 million or 3.8%. Core deposits represents approximately 70% of our total deposit portfolio.

Borrowed Funds. Borrowed funds increased \$1.09 billion, or 40.3%, to \$3.80 billion at September 30, 2013 from \$2.71 billion at December 31, 2012 due to the funding of our asset growth.

Stockholders' Equity. Stockholders' equity increased \$59.8 million to \$1.13 billion at September 30, 2013 from \$1.07 billion at December 31, 2012. The increase is primarily attributed to the \$84.5 million of net income for the nine months ended September 30, 2013 offset by a \$16.3 million increase to other comprehensive loss primarily attributed to the decrease in value of available for sale securities for the nine months ended September 30, 2013. Stockholders' equity was also impacted by \$0.15 per common share of a cash dividend for the nine month period that resulted in a decrease of \$16.8 million.

Average Balance Sheets for the Three and Nine Months ended September 30, 2013 and 2012

The following tables present certain information regarding Investors Bancorp, Inc.'s financial condition and net interest income for the three and nine months ended September 30, 2013 and 2012. The tables present the annualized average yield on interest-earning assets and the annualized average cost of interest-bearing liabilities. We derived the yields and costs by dividing annualized income or expense by the average balance of interest-earning assets and interest-bearing liabilities, respectively, for the periods shown. We derived average balances from daily balances over the periods indicated. Interest income includes fees that we consider adjustments to yields.

Table of Contents

	Three months ended September 30, 2013			2012		
	Average Outstanding Balance (Dollars in thousands)	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
Interest-earning assets:						
Interest-earning cash accounts	\$ 128,921	\$ 20	0.06 %	\$ 92,862	\$ 9	0.04 %
Securities available-for-sale(1)	835,736	3,837	1.84	1,278,525	5,413	1.69
Securities held-to-maturity	681,811	4,711	2.76	203,206	3,129	6.16
Net loans	11,232,829	127,186	4.53	9,270,611	111,909	4.83
Stock in FHLB	185,093	1,643	3.55	130,243	1,415	4.35
Total interest-earning assets	13,064,390	137,397	4.21	10,975,447	121,875	4.44
Non-interest-earning assets	535,867			477,704		
Total assets	\$ 13,600,257			\$ 11,453,151		
Interest-bearing liabilities:						
Savings deposits	\$ 1,747,149	\$ 1,520	0.35 %	\$ 1,592,999	\$ 2,049	0.51 %
Interest-bearing checking	1,756,696	1,478	0.34	1,519,683	1,616	0.43
Money market accounts	1,562,549	1,671	0.43	1,317,460	1,940	0.59
Certificates of deposit	2,691,650	7,061	1.05	2,990,445	9,277	1.24
Total interest-bearing deposits	7,758,044	11,730	0.60	7,420,587	14,882	0.80
Borrowed funds	3,599,311	15,243	1.69	2,332,309	15,056	2.58
Total interest-bearing liabilities	11,357,355	26,973	0.95	9,752,896	29,938	1.23
Non-interest-bearing liabilities	1,131,433			660,110		
Total liabilities	12,488,788			10,413,006		
Stockholders' equity	1,111,469			1,040,145		
Total liabilities and stockholders' equity	\$ 13,600,257			\$ 11,453,151		
Net interest income		\$ 110,424			\$ 91,937	
Net interest rate spread(2)			3.26 %			3.21 %
Net interest-earning assets(3)	\$ 1,707,035			\$ 1,222,551		
Net interest margin(4)			3.38 %			3.35 %
Ratio of interest-earning assets to total interest-bearing liabilities	1.15	X		1.13	X	

(1) Securities available-for-sale are stated at amortized cost, adjusted for unamortized purchased premiums and discounts.

(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Table of Contents

	Nine months ended September 30, 2013			2012		
	Average Outstanding Balance (Dollars in thousands)	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
Interest-earning assets:						
Interest-earning cash accounts	\$ 120,512	\$41	0.05 %	\$89,622	\$30	0.04 %
Securities available-for-sale(1)	1,180,638	14,572	1.65	1,239,135	17,358	1.87
Securities held-to-maturity	353,855	10,209	3.85	235,236	10,134	5.74
Net loans	10,765,130	369,682	4.58	9,075,804	334,438	4.91
Stock in FHLB	164,999	4,521	3.65	123,176	4,069	4.40
Total interest-earning assets	12,585,134	399,025	4.23	10,762,973	366,029	4.53
Non-interest-earning assets	549,418			472,733		
Total assets	\$13,134,552			\$11,235,706		
Interest-bearing liabilities:						
Savings deposits	\$1,745,593	\$4,739	0.36 %	\$1,496,073	\$6,011	0.54 %
Interest-bearing checking	1,731,471	4,558	0.35	1,398,196	4,965	0.47
Money market accounts	1,565,205	5,013	0.43	1,280,361	6,099	0.64
Certificates of deposit	2,810,768	22,358	1.06	3,202,657	32,546	1.35
Total interest-bearing deposits	7,853,037	36,668	0.62	7,377,287	49,621	0.90
Borrowed funds	3,101,562	45,183	1.94	2,219,414	45,180	2.71
Total interest-bearing liabilities	10,954,599	81,851	1.00	9,596,701	94,801	1.32
Non-interest-bearing liabilities	1,085,824			627,981		
Total liabilities	12,040,423			10,224,682		
Stockholders' equity	1,094,129			1,011,024		
Total liabilities and stockholders' equity	\$13,134,552			\$11,235,706		
Net interest income		\$317,174			\$271,228	
Net interest rate spread(2)			3.23 %			3.22 %
Net interest-earning assets(3)	\$1,630,535			\$1,166,272		
Net interest margin(4)			3.36 %			3.36 %
Ratio of interest-earning assets to total interest-bearing liabilities	1.15	X		1.12	X	

(1) Securities available-for-sale are stated at amortized cost, adjusted for unamortized purchased premiums and discounts.

(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Comparison of Operating Results for the Three and Nine Months Ended September 30, 2013 and 2012

Net Income. The net income for the three months ended September 30, 2013 was \$29.3 million compared to net income of \$24.5 million for the three months ended September 30, 2012. Net income for the nine months ended September 30, 2013 was \$84.5 million compared to net income of \$67.4 million for the nine months ended September 30, 2012.

Net Interest Income. Net interest income increased by \$18.5 million, or 20.1%, to \$110.4 million for the three months ended September 30, 2013 from \$91.9 million for the three months ended September 30, 2012. The increase was primarily due to the average balance of interest earning assets increasing \$2.09 billion to \$13.06 billion at

September 30, 2013 compared to \$10.98 billion at September 30, 2012, as well as a 28 basis point decrease in our cost of interest-bearing liabilities to 0.95% for the three months ended September 30, 2013 from 1.23% for the three months ended September 30, 2012. These were partially offset by the average balance of our interest bearing liabilities increasing \$1.60 billion to \$11.36 billion at September 30, 2013 compared

Table of Contents

to \$9.75 billion at September 30, 2012, as well as the yield on our interest-earning assets decreasing 23 basis points to 4.21% for the three months ended September 30, 2013 from 4.44% for the three months ended September 30, 2012. The net interest spread increased by 5 basis points to 3.26% for the three months ended September 30, 2013 from 3.21% for the three months ended September 30, 2012 as the yield on interest earning assets declined 23 basis points while the yield of interest bearing liabilities declined 28 basis points.

Net interest income increased by \$45.9 million, or 16.9%, to \$317.2 million for the nine months ended September 30, 2013 from \$271.2 million for the nine months ended September 30, 2012. The increase was primarily due to the average balance of interest earning assets increasing \$1.82 billion to \$12.59 billion at September 30, 2013 compared to \$10.76 billion at September 30, 2012, as well as a 32 basis point decrease in our cost of interest-bearing liabilities to 1.00% for the nine months ended September 30, 2013 from 1.32% for the nine months ended September 30, 2012. These were partially offset by the average balance of our interest bearing liabilities increasing \$1.36 billion to \$10.95 billion at September 30, 2013 compared to \$9.60 billion at September 30, 2012, as well as the yield on our interest-earning assets decreasing 30 basis points to 4.23% for the nine months ended September 30, 2013 from 4.53% for the nine months ended September 30, 2012. The net interest spread increased by 1 basis point to 3.23% for the nine months ended September 30, 2013 from 3.22% for the nine months ended September 30, 2012.

Interest and Dividend Income. Total interest and dividend income increased by \$15.5 million, or 12.7%, to \$137.4 million for the three months ended September 30, 2013 from \$121.9 million for the three months ended September 30, 2012. This increase is attributed to the average balance of interest-earning assets increasing \$2.09 billion or 19.0%, to \$13.06 billion for the three months ended September 30, 2013 from \$10.98 billion for the three months ended September 30, 2012 due to organic growth and acquisitions. This was partially offset by the weighted average yield on interest-earning assets decreasing 23 basis points to 4.21% for the three months ended September 30, 2013 compared to 4.44% for the three months ended September 30, 2012.

Interest income on loans increased by \$15.3 million, or 13.7%, to \$127.2 million for the three months ended September 30, 2013 from \$111.9 million for the three months ended September 30, 2012, reflecting a \$1.96 billion or 21.2%, increase in the average balance of net loans to \$11.23 billion for the three months ended September 30, 2013 from \$9.27 billion for the three months ended September 30, 2012. The increase is primarily attributed to the average balance of multi-family loans and commercial real estate loans increasing \$1.22 billion and \$622.4 million, respectively as we continue to focus on diversifying our loan portfolio by adding more multi-family loans and commercial real estate loans. Additionally, the average balance of residential loans increased by \$114.4 million, commercial and industrial loans increased by \$64.0 million, while construction loans decreased \$24.1 million for the three months ended September 30, 2013. The increase also reflects \$4.1 million in loan prepayment fees recorded in interest income for the three months ended September 30, 2013 compared to \$2.1 million for the three months ended September 30, 2012. The increase was partially offset by a 30 basis point decrease in the average yield on net loans to 4.53% for the three months ended September 30, 2013 from 4.83% for the three months ended September 30, 2012, as lower rates on new and refinanced loans reflect the current interest rate environment.

Interest income on all other interest-earning assets, excluding loans, increased by \$245,000 or 2.5%, to \$10.2 million for the three months ended September 30, 2013 from \$10.0 million for the three months ended September 30, 2012. Income from Federal Home Loan Bank Stock increased by \$228,000 or 16.1% for the three months ended September 30, 2013. The weighted average yield on interest-earning assets, excluding loans, decreased by 11 basis points to 2.23% for the three months ended September 30, 2013 compared to 2.34% for the three months ended September 30, 2012 reflecting the lower interest rate environment. This was partially offset by a \$126.7 million increase in the average balance of all other interest-earning assets, excluding loans, to \$1.83 billion for the three months ended September 30, 2013 from \$1.70 billion for the three months ended September 30, 2012.

Total interest and dividend income increased by \$33.0 million, or 9.0%, to \$399.0 million for the nine months ended September 30, 2013 from \$366.0 million for the nine months ended September 30, 2012. This increase is attributed to

the average balance of interest-earning assets increasing \$1.82 billion, or 16.9%, to \$12.59 billion for the nine months ended September 30, 2013 from \$10.76 billion for the nine months ended September 30, 2012. This was partially offset by the weighted average yield on interest-earning assets decreasing 30 basis points to 4.23% for the nine months ended September 30, 2013 compared to 4.53% for the nine months ended September 30, 2012.

Interest income on loans increased by \$35.2 million, or 10.5%, to \$369.7 million for the nine months ended September 30, 2013 from \$334.4 million for the nine months ended September 30, 2012, reflecting an \$1.69 billion, or 18.6%, increase in the average balance of net loans to \$10.77 billion for the nine months ended September 30, 2013 from \$9.08 billion for the nine months ended September 30, 2012. The increase is primarily attributed to the average balance of multi-family loans, commercial real estate loans and commercial and industrial loans increasing \$1.21 billion, \$578.3 million and \$55.6 million respectively, as we continue to focus on diversifying our loan portfolio by adding more multi-family loans and commercial real estate loans. In addition, we recorded \$10.8 million in loan prepayment penalties in interest income for the nine months ended September 30, 2013 compared

Table of Contents

to \$5.4 million for the nine months ended September 30, 2012. This was partially offset by a 33 basis point decrease in the average yield on net loans to 4.58% for the nine months ended September 30, 2013 from 4.91% for the nine months ended September 30, 2012, as lower rates on new and refinanced loans reflect the current interest rate environment.

Interest income on all other interest-earning assets, excluding loans, decreased by \$2.2 million, or 7.1%, to \$29.3 million for the nine months ended September 30, 2013 from \$31.6 million for the nine months ended September 30, 2012. This decrease reflected the weighted average yield on interest-earning assets, excluding loans, decreasing by 35 basis points to 2.15% for the nine months ended September 30, 2013 compared to 2.50% for the nine months ended September 30, 2012 reflecting the current interest rate environment. This was partially offset by a \$132.8 million increase in the average balance of all other interest-earning assets, excluding loans, to \$1.82 billion for the nine months ended September 30, 2013 from \$1.69 billion for the nine months ended September 30, 2012.

Interest Expense. Total interest expense decreased by \$3.0 million, or 9.9%, to \$27.0 million for the three months ended September 30, 2013 from \$29.9 million for the three months ended September 30, 2012. This decrease is attributed to the weighted average cost of total interest-bearing liabilities decreasing 28 basis points to 0.95% for the three months ended September 30, 2013 compared to 1.23% for the three months ended September 30, 2012. This was partially offset by the average balance of total interest-bearing liabilities increasing by \$1.60 billion, or 16.5%, to \$11.36 billion for the three months ended September 30, 2013 from \$9.75 billion for the three months ended September 30, 2012.

Interest expense on interest-bearing deposits decreased \$3.2 million, or 21.2% to \$11.7 million for the three months ended September 30, 2013 from \$14.9 million for the three months ended September 30, 2012. This decrease is attributed to a 20 basis point decrease in the average cost of interest-bearing deposits to 0.60% for the three months ended September 30, 2013 from 0.80% for the three months ended September 30, 2012 as deposit rates reflect the lower interest rate environment. This was partially offset by the average balance of total interest-bearing deposits increasing \$337.5 million, or 4.5% to \$7.76 billion for the three months ended September 30, 2013 from \$7.42 billion for the three months ended September 30, 2012. Average balances of core deposit accounts increased \$636.3 million over the prior year period.

Interest expense on borrowed funds increased by \$187,000 or 1.2%, to \$15.2 million for the three months ended September 30, 2013 from \$15.1 million for the three months ended September 30, 2012. This increase is attributed to the average balance of borrowed funds increasing \$1.27 billion or 54.3%, to \$3.60 billion for the three months ended September 30, 2013 from \$2.33 billion for the three months ended September 30, 2012. This increase was partially offset by a 89 basis points decrease to the average cost of borrowings to 1.69% for the three months ended September 30, 2013 from 2.58% for the three months ended September 30, 2012 as maturing and new borrowings repriced to lower interest rates.

Total interest expense decreased by \$13.0 million, or 13.7%, to \$81.9 million for the nine months ended September 30, 2013 from \$94.8 million for the nine months ended September 30, 2012. This decrease is attributed to the weighted average cost of total interest-bearing liabilities decreasing 32 basis points to 1.00% for the nine months ended September 30, 2013 compared to 1.32% for the nine months ended September 30, 2012. This was partially offset by the average balance of total interest-bearing liabilities increasing by \$1.36 billion, or 14.1%, to \$10.95 billion for the nine months ended September 30, 2013 from \$9.60 billion for the nine months ended September 30, 2012.

Interest expense on interest-bearing deposits decreased \$13.0 million, or 26.1% to \$36.7 million for the nine months ended September 30, 2013 from \$49.6 million for the nine months ended September 30, 2012. This decrease is attributed to a 28 basis point decrease in the average cost of interest-bearing deposits to 0.62% for the nine months ended September 30, 2013 from 0.90% for the nine months ended September 30, 2012 as deposit rates reflect the

lower interest rate environment. This was partially offset by the average balance of total interest-bearing deposits increasing \$475.8 million, or 6.4% to \$7.85 billion for the nine months ended September 30, 2013 from \$7.38 billion for the nine months ended September 30, 2012. Average balances of core deposit accounts increased \$867.6 million for the nine months ended September 30, 2013 over the prior year period.

Interest expense on borrowed funds remained flat at \$45.2 million for the nine months ended September 30, 2013 and September 30, 2012. Although the expense was consistent for both periods, the average cost of borrowed funds decreased by 77 basis points to 1.94% for the nine months ended September 30, 2013 from 2.71% for the nine months ended September 30, 2012 as maturing and new borrowings repriced to current interest rates, while the average balance of borrowed funds increased by \$882.1 million or 39.7%, to \$3.10 billion for the nine months ended September 30, 2013 from \$2.22 billion for the nine months ended September 30, 2012.

Provision for Loan Losses. Our provision for loan losses was \$13.8 million for the three months ended September 30, 2013 compared to \$16.0 million for the three months ended September 30, 2012. For the three months ended September 30, 2013, net charge-offs were \$1.4 million compared to \$13.2 million for the three months ended September 30, 2012. For the nine months

Table of Contents

ended September 30, 2013, our provision for loan losses was \$41.3 million compared to \$48.0 million for the nine months ended September 30, 2012. For the nine months ended September 30, 2013, net charge-offs were \$16.6 million compared to \$34.0 million for the nine months ended September 30, 2012. Included in the three and nine months ended September 30, 2012 is a \$6.2 million charge off pertaining to an additional write down of residential loans in the process of foreclosure as a result of further deterioration in real estate values due to the extended period of time it was taking to obtain possession of properties collateralizing these loans. Our provision for the three and nine months ended September 30, 2013 is a result of continued growth in the loan portfolio, specifically the multi-family and commercial real estate portfolios and commercial and industrial; the inherent credit risk in our overall portfolio, particularly the credit risk associated with commercial real estate lending and commercial and industrial lending; the level of non-performing loans and delinquent loans caused by the adverse economic and real estate conditions in our lending area. See discussion of the allowance for loan losses and non-accrual loans in “Comparison of Financial Condition at September 30, 2013 and December 31, 2012.”

Non-Interest Income. Total non-interest income decreased by \$3.2 million, or 25.3% to \$9.5 million for the three months ended September 30, 2013 from \$12.7 million for the three months ended September 30, 2012. The decrease is primarily attributed to the gain on the sale of loans decreasing \$5.0 million to \$2.2 million for the three months ended September 30, 2013 as compared to \$7.2 million for the three months ended September 30, 2012 due to lower volume of sales in the secondary market at slightly lower margins. The recent increase in long-term interest rates has reduced loan refinancing. This has impacted our gains on sale of loans and is projected to continue into 2014. Gain on securities transactions decreased by \$240,000 for the three months ended September 30, 2013. These decreases were offset by increases to fees and service charges of \$1.4 million which included a \$446,000 reversal of a previously established valuation reserve on mortgage servicing rights, and net gains on sales of other real estate owned of \$277,000. In addition, other income increased by \$281,000 as a result of income on non-deposit investment products.

Total non-interest income decreased by \$4.5 million, or 13.4% to \$29.1 million for the nine months ended September 30, 2013 from \$33.6 million for the nine months ended September 30, 2012. The decrease is primarily attributed to the gain on the sale of loans decreasing \$8.6 million to \$7.3 million for the nine months ended September 30, 2013 as compared to \$15.9 million for the nine months ended September 30, 2012 due to lower volume of sales in the secondary market at slightly lower margins. This decrease was offset by increases to fees and service charges of \$1.6 million which included a \$1.6 million reversal of a previously established valuation reserve on mortgage servicing rights, \$420,000 on gains from securities sold during the nine months ended September 30, 2013 and net gains on sale of other real estate owned of \$810,000. Other income increased by \$970,000 as a result of income on non-deposit investment products.

Non-Interest Expenses. Total non-interest expenses increased by \$12.6 million, or 26.2%, to \$60.8 million for the three months ended September 30, 2013 from \$48.2 million for the three months ended September 30, 2012. Compensation and fringe benefits increased \$6.4 million for the three months ended September 30, 2013 primarily as a result of the staff additions to support our continued growth, a \$1.8 million one time charge related to medical insurance, as well as normal merit increases. Professional fees increased \$1.1 million for the three months ended September 30, 2013 attributed to increased legal and consulting services for the period. The Company has continued to increase its branch network and enter new markets through acquisitions as well as organic growth. As a result, there has been an increase in occupancy expense, data processing fees and advertising of \$2.5 million, \$1.4 million and \$171,000, respectively for the three months ended September 30, 2013. In addition, occupancy expense for the three months ended September 30, 2013 includes approximately \$1.0 million for the early termination of certain leased facilities. Other operating expense also increased \$508,000 for the three months ended September 30, 2013 related to higher recruiting, training and insurance expenses. FDIC insurance premium increased by \$330,000 for the three months ended September 30, 2013 compared to September 30, 2012.

Total non-interest expenses increased by \$26.3 million, or 17.8%, to \$173.9 million for the nine months ended September 30, 2013 from \$147.5 million for the nine months ended September 30, 2012. Compensation and fringe benefits increased \$14.2 million for the nine months ended September 30, 2013 primarily as a result of the staff

additions to support our continued growth including employees from the acquisition of Marathon Bank in the fourth quarter of 2012, a \$1.8 million one time charge related to medical insurance, as well as normal merit increases. The Company has continued to increase its branch network and enter new markets through acquisitions as well as organic growth. As a result, there has been an increase to occupancy expense, data processing service fees and advertising expense of \$3.8 million, \$1.2 million and \$940,000 for the nine months ended September 30, 2013. For the nine months ended September 30, 2013, occupancy expense includes approximately \$1.0 million for the early termination of certain leased facilities. In addition, our FDIC insurance premium increased by \$3.7 million for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012. This increase is a result of the FDIC final rules for determining deposit insurance assessment, effective March 1, 2013. Other operating expense increased by \$1.8 million for the nine months ended September 30, 2013 related to higher recruiting, training and insurance expenses. The nine months ended September 30, 2012 included \$6.1 million in one time charges associated with the acquisition of Brooklyn Federal as well as \$3.0 million for the early termination of certain leased facilities.

Table of Contents

Income Tax Expense. Income tax expense was \$16.1 million for the three months ended September 30, 2013, representing a 35.41% effective tax rate compared to income tax expense of \$15.9 million for the three months ended September 30, 2012 representing a 39.42% effective tax rate.

Income tax expense was \$46.7 million for the nine months ended September 30, 2013, representing a 35.57% effective tax rate compared to income tax expense of \$41.9 million for the nine months ended September 30, 2012 representing a 38.35% effective tax rate.

Liquidity and Capital Resources

The Company's primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, proceeds from the sale of loans, FHLB and other borrowings and, to a lesser extent, investment maturities. While scheduled amortization of loans is a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company has other sources of liquidity if a need for additional funds arises, including unsecured overnight lines of credit and other borrowings from the FHLB and other correspondent banks.

At September 30, 2013, the Company had overnight borrowings outstanding with FHLB of \$616.0 million compared to \$373.5 million at December 31, 2012. The Company utilizes overnight borrowings from time to time to fund short-term liquidity needs. The Company had total borrowings of \$3.80 billion at September 30, 2013, an increase from \$2.70 billion at December 31, 2012.

In the normal course of business, the Company routinely enters into various commitments, primarily relating to the origination of loans. At September 30, 2013, outstanding commitments to originate loans totaled \$793.4 million; outstanding unused lines of credit totaled \$535.7 million; standby letters of credit totaled \$19.6 million and outstanding commitments to sell loans totaled \$15.5 million. The Company expects to have sufficient funds available to meet current commitments in the normal course of business. Time deposits scheduled to mature in one year or less totaled \$1.58 billion at September 30, 2013. Based upon historical experience, management estimates that a significant portion of such deposits will remain with the Company.

The Board of Directors approved a fourth share repurchase program at their January 2011 meeting, which authorizes the repurchase of an additional 10% of the Company's outstanding common stock. The fourth share repurchase program commenced immediately upon completion of the third program. Under this program, up to 10% of its publicly-held outstanding shares of common stock, or 3,876,523 shares of Investors Bancorp, Inc. common stock may be purchased in the open market and through other privately negotiated transactions in accordance with applicable federal securities laws. During the three months period ended September 30, 2013, the Company did not repurchase any shares of its common stock. Under the current share repurchase program, 2,111,597 shares remain available for repurchase. At September 30, 2013, a total of 16,652,720 shares have been purchased under Board authorized share repurchase programs, of which 3,412,701 shares were allocated to fund the restricted stock portion of the Company's 2006 Equity Incentive Plan. The remaining shares are held for general corporate use.

As of September 30, 2013, the Bank exceeded all regulatory capital requirements as follows:

	September 30, 2013		Required Amount	Ratio	
	Actual Amount	Ratio			
	(Dollars in thousands)				
Total capital (to risk-weighted assets)	\$1,116,056	11.1	% \$805,857	8.0	%
Tier I capital (to risk-weighted assets)	989,636	9.8	402,928	4.0	
Tier I capital (to average assets)	989,636	7.3	540,044	4.0	

In July 2013, the Federal Deposit Insurance Corporation and the other federal bank regulatory agencies issued a final rule that will revise their leverage and risk-based capital requirements and the method for calculating risk-weighted

assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on non-accrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain “available-for-sale” securities holdings to be included for purposes of

Table of Contents

calculating regulatory capital unless a one-time opt-out is exercised. Additional constraints will also be imposed on the inclusion in regulatory capital of mortgage-servicing assets, deferred tax assets and certain minority interests. The rule limits a banking organization's capital distributions and certain discretionary bonus payments to executive officers if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule becomes effective for the Bank on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with U.S. generally accepted accounting principles, are not recorded in the financial statements. These transactions primarily relate to debt obligations and lending commitments.

The following table shows the contractual obligations of the Company by expected payment period as of September 30, 2013:

Contractual Obligations	Total	Less than One Year	One-Two Years	Two-Three Years	More than Three Years
	(in thousands)				
Debt obligations (excluding capitalized leases)	\$3,796,112	1,738,000	328,000	225,000	1,505,112
Commitments to originate and purchase loans	\$793,444	793,444	—	—	—
Commitments to sell loans	\$15,455	15,455	—	—	—

Debt obligations include borrowings from the FHLB and other borrowings. The borrowings have defined terms and, under certain circumstances, \$50.0 million of the borrowings are callable at the option of the lender.

Additionally, at September 30, 2013, the Company's commitments to fund unused lines of credit totaled \$535.7 million. Commitments to originate loans and commitments to fund unused lines of credit are agreements to lend additional funds to customers as long as there have been no violations of any of the conditions established in the agreements. Commitments generally have a fixed expiration or other termination clauses which may or may not require a payment of a fee. Since some of these loan commitments are expected to expire without being drawn upon, total commitments do not necessarily represent future cash requirements.

In addition to the contractual obligations previously discussed, we have other liabilities which includes capitalized and operating lease obligations. These contractual obligations as of September 30, 2013, have not changed significantly from December 31, 2012.

In the normal course of business the Company sells residential mortgage loans to third parties. These loan sales are subject to customary representations and warranties. In the event that we are found to be in breach of these representations and warranties, we may be obligated to repurchase certain of these loans.

For further information regarding our off-balance sheet arrangements and contractual obligations, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our December 31, 2012 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Qualitative Analysis. We believe one significant form of market risk is interest rate risk. Interest rate risk results from timing differences in the maturity or re-pricing of our assets, liabilities and off-balance sheet contracts (i.e., loan commitments); the effect of loan prepayments, deposits and withdrawals; the difference in the behavior of lending and funding rates arising from the uses of different indices; and "yield curve risk" arising from changing interest rate relationships across the spectrum of maturities for constant or variable credit risk investments. Besides directly affecting our net interest income, changes in market interest rates can also affect the amount of new loan originations,

the ability of borrowers to repay variable rate loans, the volume of loan prepayments and refinancings, the carrying value of securities classified as available for sale and the mix and flow of deposits.

57

Table of Contents

The general objective of our interest rate risk management is to determine the appropriate level of risk given our business model and then manage that risk in a manner consistent with our policy to reduce, to the extent possible, the exposure of our net interest income to changes in market interest rates. Our Asset Liability Committee, which consists of senior management, evaluates the interest rate risk inherent in certain assets and liabilities, our operating environment and capital and liquidity requirements and modifies our lending, investing and deposit gathering strategies accordingly. On a quarterly basis, our Board of Directors reviews the Asset Liability Committee report, the aforementioned activities and strategies, the estimated effect of those strategies on our net interest margin and the estimated effect that changes in market interest rates may have on the economic value of our loan and securities portfolios, as well as the intrinsic value of our deposits and borrowings.

We actively evaluate interest rate risk in connection with our lending, investing and deposit activities. Historically, our lending activities have emphasized one- to four-family fixed- and variable- rate first mortgages. Our variable-rate mortgage related assets have helped to reduce our exposure to interest rate fluctuations and is expected to benefit our long-term profitability, as the rate earned in the mortgage loans will increase as prevailing market rates increase. However, the current interest rate environment, and the preferences of our customers, has resulted in more of a demand for fixed-rate products. This may adversely impact our net interest income, particularly in a rising rate environment. To help manage our interest rate risk, we have increased our focus on the origination of commercial real estate mortgage loans, particularly multi-family loans, as these loan types may reduce our interest rate risk due to their shorter repricing term compared to fixed rate residential mortgage loans. In addition, we primarily invest in shorter-to-medium duration securities, which generally have shorter average lives and lower yields compared to longer term securities. Shortening the average lives of our securities, along with originating more adjustable-rate mortgages and commercial real estate mortgages, will help to reduce interest rate risk.

We retain an independent, nationally recognized consulting firm who specializes in asset and liability management to complete our quarterly interest rate risk reports. We also retain a second nationally recognized consulting firm to prepare independently comparable interest rate risk reports for the purpose of validation. Both firms use a combination of analyses to monitor our exposure to changes in interest rates. The economic value of equity analysis is a model that estimates the change in net portfolio value (“NPV”) over a range of immediately changed interest rate scenarios. NPV is the discounted present value of expected cash flows from assets, liabilities, and off-balance sheet contracts. In calculating changes in NPV, assumptions estimating loan prepayment rates, reinvestment rates and deposit decay rates that seem most likely based on historical experience during prior interest rate changes are used.

The net interest income analysis uses data derived from an asset and liability analysis, described below, and applies several additional elements, including actual interest rate indices and margins, contractual limitations and the U.S. Treasury yield curve as of the balance sheet date. In addition we apply consistent parallel yield curve shifts (in both directions) to determine possible changes in net interest income if the theoretical yield curve shifts occurred gradually. Net interest income analysis also adjusts the asset and liability repricing analysis based on changes in prepayment rates resulting from the parallel yield curve shifts.

Our asset and liability analysis determines the relative balance between the repricing of assets and liabilities over multiple periods of time (ranging from overnight to five years). This asset and liability analysis includes expected cash flows from loans and mortgage-backed securities, applying prepayment rates based on the differential between the current interest rate and the market interest rate for each loan and security type. This analysis identifies mismatches in the timing of asset and liability but does not necessarily provide an accurate indicator of interest rate risk because the assumptions used in the analysis may not reflect the actual response to market changes.

Table of Contents

Quantitative Analysis. The table below sets forth, as of September 30, 2013, the estimated changes in our NPV and our net interest income that would result from the designated changes in interest rates. Such changes to interest rates are calculated as an immediate and permanent change for the purposes of computing NPV and a gradual change over a one year period for the purposes of computing net interest income. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results. We did not estimate changes in NPV or net interest income for an interest rate decrease of greater than 100 basis points or increase of greater than 200 basis points.

Change in Interest Rates (basis points)(1)	Net Portfolio Value(2)			Net Interest Income		
	Estimated NPV	Estimated Increase (Decrease)		Estimated Net Interest Income(3)	Estimated Increase (Decrease)	
		Amount	Percent		Amount	Percent
	(Dollars in thousands)					
+ 200bp	\$980,808	(200,780)	(17.0)%	\$388,306	(33,900)	(8.0)%
0bp	\$1,181,588	—	—	\$422,206		
-100bp	\$1,128,075	(53,513)	(4.5)%	\$426,326	4,120	1.0 %

(1) Assumes an instantaneous and parallel shift in interest rates at all maturities.

(2) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Assumes a gradual change in interest rates over a one year period at all maturities.

The table set forth above indicates at September 30, 2013, in the event of a 200 basis points increase in interest rates, we would be expected to experience a 17.0% decrease in NPV and a \$33.9 million, or 8.0%, decrease in net interest income. In the event of a 100 basis points decrease in interest rates, we would be expected to experience a 4.5% decrease in NPV and a \$4.1 million, or 1.0%, increase in net interest income. These data do not reflect any future actions we may take in response to changes in interest rates, such as changing the mix of our assets and liabilities, which could change the results of the NPV and net interest income calculations.

As mentioned above, we retain two nationally recognized firms to compute our quarterly interest rate risk reports. Certain shortcomings are inherent in any methodology used in the above interest rate risk measurements. Modeling changes in NPV and net interest income require certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. The NPV and net interest income table presented above assumes the composition of our interest-rate sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and, accordingly, the data do not reflect any actions we may take in response to changes in interest rates. The table also assumes a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or the repricing characteristics of specific assets and liabilities. Accordingly, although the NPV and net interest income table provide an indication of our sensitivity to interest rate changes at a particular point in time, such measurement is not intended to and does not provide a precise forecast of the effects of changes in market interest rates on our NPV and net interest income.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control

over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

59

Table of Contents

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes in the "Risk Factors" disclosed in the Company's December 31, 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On March 1, 2011, the Company announced its fourth Share Repurchase Program, which authorized the purchase of an additional 10% of its publicly-held outstanding shares of common stock, or 3,876,523 million shares. This stock repurchase program commenced upon the completion of the third program on July 25, 2011. This program has no expiration date and has 2,111,597 shares yet to be purchased as of September 30, 2013. There were no repurchase of our common stock during the third quarter 2013.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are either filed as part of this report or are incorporated herein by reference:

- 3.1 Certificate of Incorporation of Investors Bancorp, Inc.*
- 3.2 Bylaws of Investors Bancorp, Inc.*
- 4 Form of Common Stock Certificate of Investors Bancorp, Inc.*
- 10.1 Form of Employment Agreement between Investors Bancorp, Inc. and certain executive officers*
- 10.2 Form of Change in Control Agreement between Investors Bancorp, Inc. and certain executive officers *
- 10.3 Investors Bank Amended and Restated Director Retirement Plan*
- 10.4 Investors Bank Amended and Restated Supplemental ESOP Retirement Plan*
- 10.5 Investors Bancorp, Inc. Supplemental Wage Replacement Plan*
- 10.6 Investors Bank Amended and Restated Deferred Directors Fee Plan*
- 10.7 Investors Bancorp, Inc. Amended and Restated Deferred Directors Fee Plan*

Table of Contents

10.8	Executive Officer Annual Incentive Plan**
10.9	Investors Bancorp 2006 Equity Incentive Plan***
10.10	Definitive Agreement and Plan of Merger by and among Investors Bank, Investors Bancorp and Investors Bancorp, MHC and Roma Bank, Roma Financial Corporation and Roma Financial Corporation, MHC****
10.11	Agreement and Plan of Merger dated as of April 5, 2013 by and among Investors Bank, Investors Bancorp, Inc., Investors Bancorp MHC and GCF Bank, Gateway Community Financial Corp. and Gateway Community Financial, MHC *****
21	Subsidiaries of Registrant*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	101.INS (1) XBRL Instance Document 101.SCH (1) XBRL Taxonomy Extension Schema Document 101.CAL (1) XBRL Taxonomy Extension Calculation Linkbase Document 101.DEF (1) XBRL Taxonomy Extension Definition Linkbase Document 101.LAB (1) XBRL Taxonomy Extension Labels Linkbase Document 101.PRE (1) XBRL Taxonomy Extension Presentation Linkbase Document
*	Incorporated by reference to the Registration Statement on Form S-1 of Investors Bancorp, Inc. (file no. 333-125703), originally filed with the Securities and Exchange Commission on June 10, 2005.
**	Incorporated by reference to Appendix A of the Company's definitive proxy statement filed with the Securities and Exchange Commission on September 26, 2008.
***	Incorporated by reference to Appendix B to the Proxy Statement for the Annual Meeting of Stockholders of Investors Bancorp, Inc. (File No. 000-51557), originally filed the Securities and Exchange Commission on September 15, 2006.
****	Incorporated by reference to Form 8-K originally filed with the Securities and Exchange Commission on December 21, 2012.
*****	Incorporated by reference to Form 8-K originally filed with the Securities and Exchange Commission on April 8, 2013.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INVESTORS BANCORP, INC.

Date: November 8, 2013

By: /s/ Kevin Cummings
Kevin Cummings
President and Chief Executive Officer (Principal
Executive Officer)

Date: November 8, 2013

By: /s/ Thomas F. Splaine, Jr.
Thomas F. Splaine, Jr. Senior Vice President and
Chief Financial Officer (Principal Financial and
Accounting Officer)