

Confidential

Nationwide Building Society ("**Nationwide**")
Nationwide House
Pipers Way
Swindon SN38 1NW
United Kingdom

21 March 2024

Virgin Red Limited ("**Virgin Red**")
66 Porchester Road
London W2 6ET
United Kingdom

Exclusive discussions regarding Virgin Red loyalty programme for Nationwide business

1. Background

- 1.1 Nationwide is considering a possible acquisition of Virgin Money UK plc ("**VMUK**") (the "**Acquisition**"), which Acquisition may be implemented by way of a takeover offer (within the meaning of section 974 of the Companies Act 2006) (an "**Offer**") or a scheme of arrangement (under Part 26 of the Companies Act 2006) (a "**Scheme**").
- 1.2 A number of customer reward and loyalty programmes are currently in place between one or more members of the Virgin Red Group and one or more members of the VMUK Group.
- 1.3 In connection with the proposed Acquisition, Nationwide and Virgin Red have, subject to and in accordance with this letter agreement, agreed:
- (A) to undertake certain activities prior to Completion to research, consider and develop options in relation to the proposed Proposition;
 - (B) to discuss following Completion the commercial terms of a Definitive Agreement in respect of the proposed Proposition; and
 - (C) certain exclusivity arrangements to facilitate such activities and discussions.

2. Definitions

In this letter agreement:

- (A) "**Affiliates**" means, in respect of a person, that person's Subsidiaries, that person's ultimate Holding Company and all Subsidiaries of such ultimate Holding Company other than that person;
- (B) "**Business Day**" means a day other than a Saturday, a Sunday or a public holiday in England, on which banking institutions are open for general business in London (other than solely for settlement and trading in Euro);
- (C) "**Code**" means the City Code on Takeovers and Mergers;

- (D) **“Completion”** means: (i) if the Acquisition is implemented by way of a Scheme, such Scheme becoming effective in accordance with its terms; or (ii) if the Acquisition is implemented by way of an Offer, such Offer becoming or being declared unconditional in accordance with the requirements of the Code;
- (E) **“Customer Loyalty Programme”** means a customer reward or loyalty programme offered to customers of products or services (including financial services products) in the UK, which allows those customers to receive or earn points in connection with those products or services;
- (F) **“Definitive Agreement”** means a legally binding agreement between one or more members of the Nationwide Group and one or more members of the Virgin Red Group governing the Proposition;
- (G) **“Holding Company”** means a ‘holding company’ (as defined by section 1159 of the Companies Act 2006) or a ‘parent undertaking’ (as defined by section 1162 of the Companies Act 2006);
- (H) **“Nationwide Group”** means Nationwide and all Subsidiaries of Nationwide including, only from Completion, the VMUK Group;
- (I) **“Proposition”** means a collaboration between Nationwide and Virgin Red in the UK pursuant to which a ‘Virgin Red’ branded Customer Loyalty Programme would be made available to customers of certain products offered by the Nationwide Group including certain fee-based personal current accounts. If Nationwide and Virgin Red agree, the Proposition may include: (i) the relevant members of the Nationwide Group and of the Virgin Red Group collaborating in relation to certain marketing activities and marketing consents; (ii) the opportunity for customers to receive or earn points both as acquisition incentives and as part of monthly earn offers; and (iii) the relevant members of the Virgin Red Group providing certain loyalty technology and services to members of the Nationwide Group, including possibly providing cashback functionality or services for certain products offered by the Nationwide Group;
- (J) **“Subsidiary”** means a ‘subsidiary’ (as defined by section 1159 of the Companies Act 2006) or a ‘subsidiary undertaking’ (as defined by section 1162 of the Companies Act 2006);
- (K) **“TMLA Letter Agreement”** means the letter agreement ‘Re: Trade mark licence agreement between VEL and Virgin Money UK plc’ between Nationwide and VEL dated 7 March 2024;
- (L) **“VEL”** means Virgin Enterprises Limited;
- (M) **“VEL Group”** means VEL, VEL’s Subsidiaries, the ultimate Holding Company of VEL and all Subsidiaries of the ultimate Holding Company of VEL (but excluding, for the avoidance of doubt, the VMUK Group);
- (N) **“VMUK Group”** means VMUK and its Subsidiaries; and
- (O) **“Virgin Red Group”** means Virgin Red and its Subsidiaries, together with any member of the VEL Group that is not one of Virgin Red or its Subsidiaries.

3. Discussion Period

3.1 For the period from Completion until the earlier of:

- (A) the date falling 6 months after Completion; and
- (B) the date that a Definitive Agreement is entered into,

(such period being the “**Discussion Period**”), Nationwide and Virgin Red shall discuss the proposed Proposition in good faith and use reasonable endeavours to agree and enter into a Definitive Agreement.

3.2 The discussion contemplated by paragraph 3.1 is expected to cover (without limitation): (i) duration; (ii) any exclusivity commitments; (iii) joint business planning; (iv) the products/customers in-scope; (v) timing for launch; (vi) any additional investment (including marketing commitments) from each party; (vii) the billing rate for rewards points; (viii) any minimum commitments; (ix) the value of rewards points including as to the goods and services for which they can be redeemed; (x) any enrolment in marketing, sharing of marketing data and obtaining of marketing consents; (xi) any commitments around usage of the ‘Virgin Red’ brand; and (xii) programme governance.

4. Exclusivity Period

4.1 Subject to paragraph 4.2, for the period from the date of this letter agreement until the end of the Discussion Period (such period being the “**Exclusivity Period**”):

- (A) Nationwide shall not (and shall procure that no member of the Nationwide Group shall) do any of the following:
 - (i) enter into (or seek to enter into) any agreement with a person other than a member of the Virgin Red Group pursuant to which that person or any of its Affiliates would establish, operate or otherwise facilitate a Customer Loyalty Programme for customers of fee-based personal current accounts operated by any member of the Nationwide Group or the VMUK Group; and/or
 - (ii) launch any new Customer Loyalty Programme for customers of fee-based personal current accounts operated by any member of the Nationwide Group or the VMUK Group; and
- (B) Virgin Red shall not (and shall procure that no member of the Virgin Red Group shall) enter into (or seek to enter into) any agreement with a person other than a member of the Nationwide Group pursuant to which Virgin Red or another member of the Virgin Red Group would establish, operate or otherwise facilitate a Customer Loyalty Programme for customers of fee-based personal current accounts operated by that person or any of its Affiliates.

4.2 Without prejudice to paragraph 5.2(F), nothing in this letter agreement shall restrict or limit the ability of any member of the Nationwide Group to offer, or enter into (or seek to enter into) any agreement or arrangement to offer, a cashback programme in relation to any products or services offered by any member of the Nationwide Group, provided that, if any member of the Nationwide Group does seek to partner with any third party in relation to any such cashback

programme, Nationwide shall ensure that Virgin Red is given a reasonable opportunity to submit a proposal to be the partner with respect to such cashback programme, provided further that:

- (A) nothing in this paragraph 4.2 shall prevent any member of the Nationwide Group from entering into any agreement relating to a cashback programme with any third party either (i) following the submission of any proposal for that programme by Virgin Red or (ii) if, having been given a reasonable opportunity to do so, Virgin Red does not submit a proposal for that programme; and
- (B) following receipt by any member of the Nationwide Group of any proposal from Virgin Red to be the partner with respect to any such cashback programme, in no event shall the parties enter into any agreement governing such cashback programme until after Completion.

5. Blackout Period

5.1 For the period from the date of this letter agreement until Completion (such period being the “**Blackout Period**”):

- (A) Virgin Red shall not (and shall procure that no member of the Virgin Red Group shall) agree (or seek to agree), or engage (or seek to engage) in any negotiation of, the commercial terms of any Definitive Agreement with any member of the Nationwide Group, or enter into (or seek to enter into) any Definitive Agreement; and
- (B) Nationwide shall not (and shall procure that no member of the Nationwide Group shall) agree (or seek to agree), or engage (or seek to engage) in any negotiation of, the commercial terms of any Definitive Agreement with any member of the Virgin Red Group, or enter into (or seek to enter into) any Definitive Agreement.

5.2 Without prejudice to paragraph 5.1, during the Blackout Period, Nationwide and Virgin Red shall jointly:

- (A) consider and develop options for a Customer Loyalty Programme as part of the proposed Proposition including designs for a points-based rewards programme for fee-based personal current accounts;
- (B) undertake research into customer sentiment regarding rewards-based loyalty programmes (including the existing loyalty arrangements between members of the Virgin Red Group and members of the VMUK Group), the value customers attribute to points and to particular redemption options, the Virgin brand, marketing opportunities and certain options developed pursuant to (A);
- (C) to the extent (i) reasonably required in order to conduct the activities described in (B); and (ii) permitted by applicable law, share data on their respective customer bases and customer behaviours;
- (D) consider and develop options for collaboration in respect of certain marketing activities as part of the proposed Proposition, including considering viable marketing channels and the approach to ensuring compliance with applicable laws and regulations with respect to marketing activities;

- (E) develop an understanding of the technical systems and architecture required to facilitate the proposed Proposition; and
- (F) discuss any cashback programmes offered or considered by the Nationwide Group to inform opportunities for a member of the Virgin Red Group to provide loyalty technology and services in respect of any similar cashback programmes as part of the proposed Proposition,

and, in each case, each of Nationwide and Virgin Red shall dedicate appropriate time and resources as necessary for such activity.

- 5.3 Nationwide and Virgin Red shall establish a steering committee with appropriately senior representatives from each of them, to meet on a monthly basis between the date of the Rule 2.7 Announcement and the end of the Blackout Period to discuss and review the progress of activities undertaken pursuant to paragraph 5.2 and to establish any measures required to ensure compliance with paragraph 5.1.

6. Termination

6.1 If:

- (A) Nationwide has not released an announcement in respect of the Acquisition pursuant to Rule 2.7 of the Code (the “**Rule 2.7 Announcement**”) by 5.00 p.m. on 21 March 2024, or by 5.00 p.m. on such later date as VMUK and Nationwide may agree and to which the Panel on Takeovers and Mergers has consented in accordance with Rule 2.6 of the Code;
- (B) the Acquisition (whether implemented by way of a Scheme or an Offer) is withdrawn or lapses in accordance with its terms, save where: (i) the Acquisition is withdrawn or lapses as a result of Nationwide exercising its right, in accordance with the Code, to implement the Acquisition by way of an Offer rather than by way of a Scheme or vice versa; or (ii) the lapsing or withdrawal is to be followed promptly by an announcement pursuant Rule 2.7 of the Code made by Nationwide or a person acting in concert (as defined in the Code) with Nationwide to implement the Acquisition by a different Offer or Scheme on substantially the same or improved terms, and such announcement is made within five Business Days of such lapse or withdrawal;
- (C) a Definitive Agreement is entered into; and/or
- (D) the end of the Discussion Period is reached without a Definitive Agreement being entered into,

subject to paragraph 6.5, this letter agreement and the obligations under it shall automatically terminate (without notice).

- 6.2 Subject to paragraph 6.5, Virgin Red may terminate this letter agreement and the obligations under it for convenience by providing at least 10 Business Days’ prior written notice to Nationwide.

- 6.3 Subject to paragraph 6.5, Virgin Red or Nationwide may terminate this letter agreement and the obligations under it immediately upon written notice to the other, following any

announcement released by VMUK withdrawing, qualifying or adversely modifying its directors' recommendation of the Acquisition.

- 6.4 Subject to paragraph 6.5, Nationwide may, by notice in writing to Virgin Red, terminate this letter agreement and the obligations under it with immediate effect if VEL does not execute and deliver to Nationwide a counterpart of the 'Deed of Amendment' (as defined in the TMLA Letter Agreement) in the form attached to the TMLA Letter Agreement on or before the date that is 10 Business Days after Completion or otherwise commits a material breach of the TMLA Letter Agreement.
- 6.5 Paragraphs 2 and 7 and this paragraph 6.5 shall survive any termination of this letter agreement. For the avoidance of doubt, upon any termination of this letter agreement the obligations of the parties in respect of the Discussion Period, Exclusivity Period and Blackout Period shall each cease to apply.

7. General

- 7.1 *Confidentiality.* The parties agree to treat this letter agreement, its contents and the details of its negotiation as confidential. Each party shall not announce or disclose such confidential information except to the extent:
- (A) required for that party to exercise its rights and to perform its obligations under this letter agreement;
 - (B) required by any applicable law or regulation;
 - (C) required by the rules of any competent authority or securities exchange on which securities of that party or a member of its group are listed (including under the Code (whether in connection with the proposed Acquisition or otherwise));
 - (D) required for the management of its tax affairs, including use or disclosure that is usual for the management of a transparent, professional relationship with HMRC, consistent with the behaviour of an entity that is a signatory to the Banking Code of Practice;
 - (E) required by any court of competent jurisdiction, tax authority or any competent judicial, governmental, supervisory or regulatory body (including The Panel on Takeovers and Mergers, the Financial Conduct Authority, and the Prudential Regulation Authority);
 - (F) such information is in the public domain other than through a breach by it of this paragraph 7.1;
 - (G) such disclosure is by or to employees, directors, agents, sub-contractors or rating agencies, or those of any member of its group, in each case on a "need-to-know" basis and on confidentiality terms substantially equivalent to those in this paragraph 7.1;
 - (H) such disclosure is required for the purpose of any legal proceedings arising out of this letter agreement or the TMLA Letter Agreement, or any deed or agreement entered into pursuant to either of them;
 - (I) such disclosure is by or to its legal or other professional advisers or lenders who, in each case, are subject to a duty of confidentiality; or

(J) in the case of Nationwide only, such disclosure is to the VMUK Group and the legal and other professional advisers of the VMUK Group.

7.2 *Counterparts.* This letter agreement may be signed in any number of counterparts and this has the same effect as if the signatures on counterparts were on a single copy of this letter agreement. Each counterpart, when signed, shall constitute an original of this letter agreement, but all the counterparts shall together constitute a single instrument.

7.3 *Amendment.* This letter agreement may only be amended by agreement in writing signed by an authorised representative for each party hereto.

7.4 *Costs.* Each party shall be liable for its own costs incurred in connection with the preparation, negotiation, execution and carrying into effect of this letter agreement.

7.5 *Governing law and jurisdiction.* This letter agreement and all matters (including any contractual or non-contractual disputes or claims) arising out of or in connection with it, including as to its subject matter or formation shall be governed by and construed in accordance with English law. The courts of England shall have exclusive jurisdiction to settle all disputes (whether contractual or non-contractual) arising out of or in connection with this letter agreement.

Yours sincerely

[Signatures follow]

Receipt of this letter agreement is acknowledged by Virgin Red and the contents of this letter agreement are accepted on the terms set out in it.

Singed as an agreement
for and on behalf of
VIRGIN RED LIMITED

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)
)
) Signature
) Andrea Burchett
)
) Name
)
) 21 March 2024
)
) Date