



J Smith <nwvmvote@gmail.com>

FW: [Ext]RE: Your correspondence

Mikael Armstrong <mikael@lexgreen.com>
To: J Smith <nwvmvote@gmail.com>

Fri, May 3, 2024 at 9:54 AM

FYI - They will not be saying anything more.....and will hide behind their own decisions.

From: Society Secretary [mailto:society.secretary@nationwide.co.uk]
Sent: 03 May 2024 09:52
To: Mikael Armstrong
Cc: Society Secretary
Subject: RE: [Ext]RE: Your correspondence

Dear Mr Armstrong

As we have previously explained, under section 92A of the Building Societies Act, the decision on whether a vote is required is reserved to directors alone. Upon full assessment, the first of those tests was not met and therefore the requirement in the Act to hold a vote does not apply.

A member vote is therefore not required, and members do not have the right under the Act or the Society's Rules to interfere in the decisions being taken by the directors when exercising their independent judgment and carrying out their responsibilities in the best interests of current and future members, as they are duty bound to do.

In reaching their decision, directors considered the interests of members and took appropriate independent legal and financial advice.

We have engaged fully with your questions to date and provided explanations that we believe are entirely reasonable. We therefore will not provide any additional detail to you in relation to the directors' consideration of the section 92A tests.

Kind regards

Jason Wright

Society Secretary

From: Mikael Armstrong <mikael@lexgreen.com>
Sent: Wednesday, May 1, 2024 11:03 PM
To: Society Secretary <society.secretary@nationwide.co.uk>
Subject: RE: [Ext]RE: Your correspondence

Dear Jason,

Thank you for your further email. I am particularly interested to understand how our calculations are wrong. It would therefore be most helpful if you could provide me with the details required to make them much more accurate.

Please could you therefore explain the following:

What exactly are the other relevant income streams we should be including?

What types of hedging activity is considered to be relevant income?

What exact "liquidity activity" is being included?

How are these additional income streams connected to loans secured on residential property?

All these points beg the question as to how Nationwide can assess these positions to the detail required? The exact details of these activities are obviously Virgin Money's business, and must be very difficult for an outside organisation to fully quantify?

In the interests of transparency, it would surely be best to publish the calculations used by the Society's Directors, so the position can be understood by everyone? Given that you state the Board of Directors has fully considered all the details, there must be some documents which provide specific and exact details of all these matters, which would be readily at hand.

It is very difficult for a layperson, let alone someone not privy to the business objectives and operations of Virgin Money to make a detailed assessment of these matters, so please can you provide the further information to clarify all the additional income streams.

Kind regards,

Mikael

From: Society Secretary [<mailto:society.secretary@nationwide.co.uk>]
Sent: 01 May 2024 08:33
To: Mikael Armstrong
Subject: RE: [Ext]RE: Your correspondence

NBS Public

Dear Mr Armstrong,

The simple answer is that the assessment needs to take into account all relevant income, including from liquidity and hedging activity associated with the mortgage business. The calculations that your campaign has published have omitted this and are wrong. The objective test in the Act is clear, the matter was fully considered and the Board of directors is satisfied that its calculations are correct.

Kind regards,

Jason Wright

Society Secretary

NBS Public

From: Mikael Armstrong <mikael@lexgreen.com>
Sent: Tuesday, April 30, 2024 9:31 AM
To: Society Secretary <society.secretary@nationwide.co.uk>
Subject: [Ext]RE: Your correspondence

Dear Jason,

Thank you for your prompt and comprehensive reply to my further email on 19th April. I intend to reply further in response to all the points raised, but I specifically wanted to respond to you more quickly in relation to your more detailed explanation of the tests you quote, which must be satisfied in order to require a member vote.

You stated the following:

Member approval of the proposed acquisition of Virgin Money by Nationwide is only required under section 92A of the Building Societies Act if both of two tests are satisfied.

Test 1

If in the opinion of the directors of the Society:

- (i) the greater part of the income of Virgin Money is or will be derived from activities having no connection with loans secured on residential property; or
- (ii) the greater part of the resources of Virgin Money are or will be devoted to such activities; or
- (iii) the greater part of Virgin Money's business consists, or will consist, of such activities.

Test 2

The amount or value of the consideration to be given for the shares, voting rights or assets of Virgin Money proposed to be acquired is 15% or more of the amount of the Society's own funds as at the relevant date.

Under section 92A of the Building Societies Act, the decision on whether a vote is required is reserved to directors alone. Upon full assessment, the first of those tests was not met and therefore the requirement in the Act to hold a vote does not apply.

Having looked at Virgin Money PLC's latest published figures, only around 40% of Virgin Money PLC's income is derived from mortgages. This obviously leaves 60% of its income being derived from other areas. How did the

directors of the Society conclude that Virgin Money derived or will derive over 50% of its income from loans secured on residential property?

Kind regards,

Mikael

From: Society Secretary [<mailto:society.secretary@nationwide.co.uk>]
Sent: 24 April 2024 18:29
To: mikael@lexgreen.com
Subject: RE: Your correspondence

Dear Mr. Armstrong,

I refer to your e-mail of 19 April, which was in response to my previous comprehensive reply.

I have noted below responses to your additional concerns as I know that you will want to represent the facts accurately in your publications.

As previously explained, the Board has carefully considered the needs of our members and their feedback on the things that are important to them. The Board is confident in the quality of Virgin Money's assets and the opportunities this deal brings for our members, following appropriate investigation and review. The price agreed for the Virgin Money business represents good value and will lead to immediate financial benefits for the Society and its members.

This deal will bring a profitable shareholder-owned bank into the mutual Nationwide Building Society. In the last financial year, Virgin Money generated pre-tax profits of £345 million and announced distributions of over £270 million to shareholders. After the deal, Nationwide will be able to retain Virgin Money's profits in the UK for the benefit of its customers and members and to provide an immediate return from the purchase.

The capital that Nationwide is using to purchase Virgin Money is currently earning just over 5% in interest from the Bank of England. Using Virgin Money's pre-tax profits for the last financial year as an example, Nationwide would achieve a 12% return on the one-off purchase price – more than double the current return. The price agreed for Virgin Money is also at a considerable discount to its book value. That means that when we complete the deal, we expect to make an immediate and significant financial gain. This will be illustrated with our next set of financial results.

The Virgin Money profits retained by Nationwide will improve the financial strength of the Society. This means we expect to be able to provide a greater level of member financial benefits and incentives, including through better savings and mortgage rates compared to the market average. Adding Virgin Money to Nationwide would make it bigger and stronger and would lower its funding costs. This would increase the profits available to invest in better products and services.

Virgin Money will join Nationwide as a wholly owned subsidiary with a separate board, management team, and banking licence. It will be run separately for a number of years, in a similar way to how Nationwide currently runs its buy to let mortgage business. This will allow us time to decide whether it is in the interests of members to combine some systems or services. We would only go ahead with this when it can be done with minimal disruption and cost. Unlike mergers between banks in the past, our approach does not rely on quick integration or aggressive cost reduction. And because Virgin Money will have its own banking licence, the Financial Services Compensation Scheme protection will cover up to £85,000 of deposits per customer in each of Nationwide and Virgin Money.

Nationwide's leading levels of customer service will not suffer. This deal will allow Nationwide to invest even more in service excellence in branches, digital platforms, and contact centres, as well as fraud prevention and support for vulnerable customers in Virgin Money as well as in Nationwide. We can invest more because of the economies of scale that come from the deal, and because Virgin Money profits can be invested in improving its customer service rather than paid to external shareholders.

Last year, we provided a record level of member financial benefits from better savings and mortgage rates compared to the market average, exclusive member-only products, and incentives. Becoming financially stronger will improve our ability to maintain and improve these benefits.

We have extended our Branch Promise by two years, meaning everywhere we have a Nationwide branch, we promise to still be there until at least the start of 2028. We know that this is something that most of our members value. Over time, we will add Virgin Money's branches to our existing network of more than 600 Nationwide branches, and they will also benefit from our Branch Promise. Even where we have a Nationwide branch and a Virgin Money branch close to each other, we will keep them both open until at least the start of 2028.

After this deal, the Nationwide Group will be the second largest mortgage and savings provider in the UK, increasing the impact that we make in communities. We will continue to commit 1% of our profits to charitable activities for the good of society.

Bringing the established business banking services of Virgin Money into the Nationwide Group will give us a broader and more diverse product range. This will make our income more resilient to economic changes and help protect the better interest rates on savings and borrowing that we offer. It also means we can start to support small and medium-sized businesses more quickly and efficiently than developing these services ourselves. This is something our members have been asking for, and a third of small business owners said they would likely switch if there was a building society offering a competitive business banking account.

Our balance sheet will remain best in class. Even after buying Virgin Money, the key financial ratio used to demonstrate financial strength (CET1), shows that Nationwide will be ahead of our peers and regulatory requirements. The three major independent credit rating agencies have reaffirmed Nationwide's existing strong ratings, recognising the transaction will provide the benefits of increased scale and diversification, and the potential to increase long-term profitability.

In relation to your further comments about the legislation and the Society's rules, I am happy to explain this further.

You have requested that Nationwide calls a SGM to pass a binding resolution that states "The takeover of Virgin Money must not proceed without the approval of a majority of Nationwide members".

Member approval of the proposed acquisition of Virgin Money by Nationwide is only required under section 92A of the Building Societies Act if both of two tests are satisfied.

Test 1

If in the opinion of the directors of the Society:

- (i) the greater part of the income of Virgin Money is or will be derived from activities having no connection with loans secured on residential property; or
- (ii) the greater part of the resources of Virgin Money are or will be devoted to such activities; or
- (iii) the greater part of Virgin Money's business consists, or will consist, of such activities.

Test 2

The amount or value of the consideration to be given for the shares, voting rights or assets of Virgin Money proposed to be acquired is 15% or more of the amount of the Society's own funds as at the relevant date.

Under section 92A of the Building Societies Act, the decision on whether a vote is required is reserved to directors alone. Upon full assessment, the first of those tests was not met and therefore the requirement in the Act to hold a vote does not apply.

A member vote is therefore not required, and members do not have the right under the Act or the Society's Rules to interfere in the decisions being taken by the directors when exercising their independent judgment and carrying out their responsibilities in the best interests of current and future members, as they are duty bound to do.

In reaching their decision, directors considered the interests of members and took appropriate independent legal and financial advice.

You have asked us to share the legal advice with you. As you will appreciate, and as is normal, the legal advice is privileged and will not be shared.

We have noted the online petition that you have organised. The information and form of request from qualified members that is required to call a SGM are set out clearly in the Society Rules. I have attached the relevant section for your ease of reference. The requisite number of requests has not been received, and none of the emails that have been received are valid.

The requests are not valid because the primary reason given for the SGM is to approve, or otherwise, a resolution regarding a matter that is the responsibility of the Board under the Society's Rules. Under Rule 27 the Board has responsibility to direct, control and manage the Society except for matters reserved under the Rules or legislation. As explained above, the Building Societies Act does not reserve this matter to members.

I have noted your other comments, which have been addressed earlier in this email. While we do not agree with many of your comments, or your interpretation of matters as set out on your website, I have nevertheless ensured that directors are aware of them.

Finally, I note your assertion that the Society's Board should have no regard to the interests of future members. The board of a building society (as opposed to a company) has an overriding duty to take into account what is in the best interests of the society and its members as a whole, both present and future (see also the Prudential Regulation Authority (PRA) Rulebook).

I hope that I have addressed your questions. Can you please let me know what you would like me to do with the cheque you sent to us on 11 April that you said could not be presented?

Yours sincerely,

Jason Wright

Society Secretary

NBS Confidential

From: Mikael Armstrong <mikael@lexgreen.com>
Sent: Friday, April 19, 2024 12:04 AM
To: Jason Wright (Secretariat) <Jason.Wright2@Nationwide.co.uk>
Subject: [Ext]RE: Your correspondence
Importance: High

Dear Jason,

Thank you for your email today, sent seven days after I hand delivered the petition as well as the necessary documentation and deposit of £25,000 to call a Special General Meeting of the Nationwide Building Society .

It is extremely disappointing and deeply troubling that Nationwide continues to ignore the valid concerns and legitimate requests of its members.

As you have still not answered the specific questions set out previously in my past correspondence, I repeat my requests here for clarity. Primarily:

1) To issue the necessary notices and call a Special General Meeting (SGM) of the Nationwide Building Society at the earliest opportunity, under the rules specified, in order to pass a binding resolution that states: “**The takeover of Virgin Money must not proceed without the approval of a majority of Nationwide members.**”

There is nothing in the society’s rules that states the board can overrule a request for a SGM of the society by the members. I can see no distinctions in the rules regarding matters "reserved" for the board or otherwise when it comes to a general meeting. If calling a SGM under Section 14 of the society’s rules is not a matter ‘reserved’ for members, then who is it ‘reserved’ for?

Please provide a detailed explanation regarding why the society regards the requests made by members for a SGM as “not valid”, with references to the appropriate sections of the rules or other documents, and the associated wording.

2) To share legal advice as to why the board believes a member vote is not required, so that this opinion can be understood fully and scrutinised appropriately.

If the board of the society has given "detailed consideration to the relevant tests to be applied" under Section 92A of the Building Societies Act (1986), and is "fully satisfied" in maintaining its position in the face of significant challenge - why can't the board share this opinion so that it can be fully understood and scrutinised appropriately by members?

Hiding behind hypothetical members' interests and potential improvements to member benefits without specifying in detail what these would be, how they would be achieved, and the underlying assumptions and potential risks - is simply unacceptable. If the board has prepared forecasts or projections of financial statements for the proposed combined group, these should be shared. Members deserve to be treated with fairness and transparency.

Further, I see no reference in the rules of the society that the board has a responsibility to act in the interests of "future" (i.e. fictitious or hypothetical) members. It must serve the interests of current, actual members only.

I would like to caution Nationwide from spreading falsehoods and making misleading statements. **In particular, Nationwide would not be financially stronger under the**

proposed deal. Capital would be reduced due to a reduction in equity necessary for the acquisition (a transfer out of Nationwide to exiting Virgin Money shareholders). There would likely be further equity reductions once the full costs of completing the transaction, and integration and restructuring post-transaction, are taken into account.

This is abundantly clear given your statement that Nationwide "does not need to borrow any funds to buy Virgin Money". This is also apparent in the takeover documentation, where Nationwide estimates that the Common Equity Tier 1 (CET1) ratio of a combined group would be an estimated 20%, a 25% reduction from the last annual report where Nationwide reported a CET1 of 27% - a key performance indicator.

Further, continuing to paint the proposed deal in oversimplified, upbeat headlines regarding potential benefits that lack substance is inappropriate for a potential transaction of this magnitude and significance. It is also highly patronising and disrespectful to the society's membership.

This lightweight approach to member communication and engagement - combined with a clear management desire to rush a deal through, without proper consultation, and without any presentation or discussion of the costs and risks - only raises multiple red flags and brings into question the fitness and probity of management, as well as the level of governance and oversight exercised by the board.

Please note that I reserve the right to share your correspondence and my response with whomever I see fit, including but not limited to: current Nationwide members and customers; members of the press; the government; Members of Parliament; regulators; advisors and legal counsel.

I await your reply with the hope that it won't take you another week to regurgitate the same banal information that doesn't answer valid questions and only serves to run down the clock in a deeply unhelpful manner.

I attached an updated list of signatories to the petition which now numbers over 2,000.

Please note that while Nationwide continues to treat its members with contempt and ignores their valid concerns and questions, members will continue to withdraw funds from the society in protest, as suggested by the campaign.

Kind regards,

Mikael Armstrong

On behalf of the campaign to give Nationwide members a say on the purchase of Virgin Money

From: Jason Wright (Secretariat) [<mailto:Jason.Wright2@Nationwide.co.uk>]
Sent: 18 April 2024 14:24
To: Mikael Armstrong
Subject: Your correspondence

NBS Public

Dear Mr. Armstrong

Thank you for your emails and for the petition that you hand-delivered to Nationwide House on Thursday 11 April. We always welcome the views of our members and I have provided some more information about the proposed acquisition of Virgin Money below as well as responding to the request in the petition.

The Board considered this matter thoroughly and in line with its legal duties and responsibilities and the requirement to always act in the interest of both current and future members.

Having given detailed consideration to the relevant tests to be applied, the Board is fully satisfied that the requirements of s92A of the Building Societies Act 1986 are not met and that a vote of members on the proposed transaction is not required. The Board is in any event required to act in the best interests of current and future members and considers that the acquisition will make Nationwide financially stronger and improve its ability to continue to provide member financial benefits.

This deal will bring a profitable shareholder-owned bank into the mutual Nationwide Group. Virgin Money's annual profit will be retained in the UK for the benefit of the combined Group's customers and members rather than be distributed to Virgin Money shareholders. This will improve the Society's financial strength and we expect to be able to provide a greater level of member financial benefits and incentives, including through better savings and mortgage rates compared to the market average. As an illustration, retaining Virgin Money's pre-tax profits for the last financial year, and not considering any improved profits resulting from the lower funding costs of the larger Group, would generate a return of around 12% on the one-off purchase price.

As well as the financial returns, Nationwide members and customers would also benefit from a wider range of products and services. For many years, Nationwide members have asked us to extend the benefit of our mutual model into business banking. Bringing the established business banking services of Virgin Money into the Nationwide Group means we can start to support small and medium-sized businesses more quickly than developing a business banking proposition from scratch. This broader and more diverse product range will also make our income more resilient to economic changes and help protect the better interest rates on savings and borrowing that we offer to Nationwide members and customers.

Nationwide already has leading customer service. This deal will allow the larger Nationwide Group to invest even more in service excellence in branches, our digital platforms and contact centres, as well as fraud prevention and support for vulnerable customers. A key element of our distinctive approach is the service we offer through our branch network - this would not change. I hope you will have been pleased to see the recent announcement that we have extended our Branch Promise by two years, meaning everywhere we have a Nationwide branch, we promise still to be there until at least the start of 2028. Over time, we will add Virgin Money's branches to our existing branch network.

The two businesses will be combined carefully over several years to minimise disruption and to deliver good value for our customers and members. Further, this deal would result in Nationwide Group being the second largest provider of mortgages and savings in the UK and increasing the impact that we have in communities by keeping our commitment to donate 1% of our profits to charitable activities for the good of society.

Even after the transaction, Nationwide will continue to have the strongest Common Equity Tier 1 (CET1) ratio amongst its key competitors and it does not need to borrow any funds to buy Virgin Money. The Board of Directors believe that using our resources in this way will deliver the best value for current and future members of the Society.

The Society's Rules provide that the Board has responsibility to direct, control and manage the Society, save for matters reserved for members under the Rules or legislation. This matter is not reserved for members.

Taking into account the responsibilities of the Board under the published rules of the Society your request for a Special General Meeting to consider the proposed resolution is not valid. It is the view of the directors that such a meeting would not in the best interests of current and future members.

Please let me know what you would like Nationwide to do with the cheque that you enclosed with your petition that you asked us not to present.

Kind regards,

Jason Wright

Society Secretary | Secretariat | Legal & Secretariat

M: 07557245645

nationwide.co.uk

NBS Public

From: Mikael Armstrong <mikael@lexgreen.com>
Sent: Wednesday, April 17, 2024 8:25 AM
To: Jason Wright (Secretariat) <Jason.Wright2@Nationwide.co.uk>
Subject: [Ext]RE: Your correspondence
Importance: High

Dear Jason,

I received your email below on Friday and am still awaiting your detailed response to my previous emails. It has now been over a week since I requested written answers to a number questions in relation to to calling a SGM. I have not yet received any detailed replies. As the Secretary to the Society, you should be able to answer the questions posed in a timely manner.

Given that time is of the essence, we have obviously taken steps to call for a SGM following our interpretation of the rules. Many supporters have also sent individual emails request calling for a SGM in addition to signing the petition.

As asked in my most recent email, please confirm that

1. A SGM will be called, on what date and where it will be held
2. That notice will be issued to members immediately
3. That the notice will carry the supporting statement delivered with the petition included the proposed resolution that: "The takeover of Virgin Money must not proceed without the approval of a majority of Nationwide members."

If these actions are not taken, reasons and explanations are required, as a formal request to call a SGM cannot simply be ignored.

Kind regards,

Mikael

From: Jason Wright (Secretariat) [<mailto:Jason.Wright2@Nationwide.co.uk>]
Sent: 12 April 2024 16:41
To: mikael@lexgreen.com
Subject: Your correspondence

NBS Public

Dear Mr Armstrong,

Thank you for your emails dated 8 and 12 April 2024 and the document that was hand delivered to our Swindon head office yesterday, receipt of which is acknowledged. We are always grateful for the views of our members and I will respond once I have considered your questions fully.

In the meantime, I wanted to reassure you that this matter was considered carefully by the Board over some months. The decision was taken to proceed only after appropriate due diligence and proper consideration. We remain firmly of the view that the financial benefits for members and the Society that the acquisition will provide, coupled with the extended range of products and services that will become available, are in the best interests of current and future members.

Yours sincerely,

Jason Wright

Society Secretary

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