

To Bradford & Bingley Shareholders

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UK Shareholders Association
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Bradford & Bingley Action Group – Update No. 13

Current Objectives

It is worth restating what this Action Group is currently focussing on. Our key objective is to obtain a fair and reasonable valuation, and hence compensation for shareholders, out of the independent valuation process. The Government is appointing an independent valuer to determine the compensation but it will be many months before any result is issued. The valuation process is by no means a foregone conclusion and there is likely to be significant argument about the basis of valuation and the information on which it is based. There may also be disputes about the availability of that information including the financial position of the company, and likely future trends, at the date of nationalisation. These may well require legal challenges. In addition we will need to take expert professional advice on the valuation to put our case properly, which might involve very substantial costs.

Note that the separate matter of the B&B rights issue is being handled by solicitor Leon Kaye and we will not be pursuing that ourselves because there is no point in duplicating effort. However that action will only potentially benefit those who subscribed for the rights issue and only in respect of the money subscribed, not in respect of the other shares you held. We have looked at possible other legal issues that might be pursued but there is no short term prospect of progressing those.

Related to that it is worth stating that the Chairman of this Group, David Blundell, recently had a meeting with the Serious Fraud Office, SFO, and they are specifically inviting evidence of fraud by the company or by any associated people or organisations. For example if you believe you were deliberately misled into investing in the company, please provide details to David (email: dwwb@btinternet.com).

Annual Accounts

Bradford & Bingley recently published their Annual Report & Accounts for the year ending December 2008 – available from the web at: www.bbg.co.uk/bbg/ir/publications/rp2008/

This may be of little interest to former ordinary shareholders as you no longer have a stake in the company, but may be of relevance to the valuation of the business, and to the subordinated bondholders.

As the Chairman says with a gross understatement at the start – “2008 was a turbulent year for British banks, and a very disappointing year for Bradford & Bingley”. Shareholders in B&B are surely more than “disappointed”.

He also says “On 27th September, the Financial Services Authority (FSA) informed us that Bradford & Bingley no longer satisfied their conditions for operating as a deposit taker” but it is worth point out that this is misleading. This alleged communication was given to the directors on a Saturday morning and they effectively were presented with a fait accompli with no chance to consult their professional advisors or challenge the proposed nationalisation. The nationalisation had almost certainly been decided upon some time before and had been leaked to the media already.

The company did manage unexpectedly to declare a profit in the year, but that is a result of including a profit from the disposal of the retail operations to Abbey (part of Santander). However they recorded £507m of loan impairment losses and £191m of investment impairments (i.e. a total of £698m, up from £138m at the half year, so there was either a large increase in the second half or post nationalisation it was decided to take a more “prudent” stance when looking at possible defaults – it is of course perhaps not surprising that the new owners would wish to present the worst possible set of figures because they might have some impact on the independent valuation).

The future of the business is clearly spelled out. To quote: “The intention is to run down the balance sheet in an orderly fashion over a number of years in order to repay providers of funding, including HM Treasury and the FSCS (Financial Services Compensation Scheme)”. All new mortgage lending has ceased, mortgage redemptions will be “stimulated”, loans will be sold on where possible, and other assets will be disposed of.

Business Plan

They have also produced a “business plan” which spells this out in more detail – available in the form of an “Executive Summary” from: www.bbg.co.uk/bbg/ir/publications/ . Unlike most business plans though, it contains no financial forecasts whatsoever, so it is unclear whether there will be any cash remaining to repay the subordinated debt after the wind up is complete, or indeed whether the company will remain solvent and with sufficient working capital to even enable it to continue paying the interest due on those bonds.

Subordinated Bonds (PIBS)

For those people holding the B&B subordinated bonds, a letter you can use to write to your Member of Parliament has been added to our web site – see the bottom of this page: www.uksa.org.uk/B&B_Subordinated_Bonds.htm . Please spare the time to send them your own version of this letter.

Campaign Status

We have continued to write to shareholders on the share register and to raise campaign funds (thanks for all those who have responded, and note that we don't generally acknowledge individual donations so as to limit our costs). We have also recently written to all the subordinated bondholders (PIBS) and had a good response. Printing and postage costs are fairly substantial and if you have not yet donated to enable us to progress this further and raise funds for professional and legal advice in future, then please do so. Donations can be made on-line via this web page: www.uksa.org.uk/AppealB&B.htm - or simply print the page out and send it with a cheque via post.

UKSA's Annual Conference

This year's annual convention of the UK Shareholders Association will be held in Bournemouth on the 7th to 9th of May. There is a strong emphasis on the banking sector this year with key note speakers Richard Moseley from HSBC, Angela Knight from the British Bankers Association and leading economist John Kay (whose latest book according to the publisher provides "*a guide for concerned citizens who want to understand how the apparently arcane world of derivatives, structured products, and sub-prime mortgages brought about the greatest crisis in the world economy for decades*"). On the Saturday there is also a session on the current state of the UKSA campaigns on the banking sector which covers such companies as Lloyds Banking Group, Royal Bank of Scotland, Northern Rock and Bradford & Bingley.

But this event is not just about the problems of the Banks. The programme also includes a series of educational presentations covering skills in stock picking, timing investments, Tax, AIM Companies, the Investment Trust Sector and Market Strategy. There is also a programme of company presentations from companies such as HSBC, Diageo and Cobham.

UKSA's InvestFest is a rare opportunity for private investors to get together and exchange views and opinions. The Conference is priced at £60 a day, a fraction of the commercial cost of such an event. The event is open to non-members of course and you can attend on odd days rather than the whole event if you wish to get some idea of what we do.

A conference brochure, detailed programme and booking form are present on our web site on this page: www.uksa.org.uk/InvestFest.htm . Do take a look if you have a general interest in stock market investment.

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Note that all previous information issued by UKSA in respect of Bradford & Bingley is present on the following web site page: www.uksa.org.uk/BradfordBingley.htm