

To Bradford & Bingley Shareholders

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UK Shareholders Association
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Bradford & Bingley Action Group – Update No. 14 - PIBS

Subordinated Debt Defaults

The company has announced that it will not be paying interest on some of the subordinated debt when the next payments are in June and July. This certainly affects the 11.625% Perpetual Subordinated Bonds (formerly called PIBS) and hence similar announcements are likely to be made in due course concerning the other perpetual subordinated bonds that we have been making representations about. The full announcements can be read at: www.bbg.co.uk/bbg/ir/news_prs/groupnews/

This is of course exceedingly bad news for all the subordinated bond holders and it is not at all clear why the company has chosen to cease payment. Is it a case of can't pay or won't pay? Press comment seems to suggest that the Government is trying to ensure it gets its money back as a priority over all other debtors and hence is prejudicing the bondholders.

Anyway the end result is that the announcement caused a collapse in the market price of the subordinated bonds, which are still trading of course.

As we have previously pointed out, the terms of the former PIBS, now called perpetual subordinated bonds, did permit the company discretion to suspend payment of the interest on them if ordinary dividends were ceased. So legally there is possibly no technical "default". But in essence as the company is now owned entirely by the Government, it is in essence an arm of the Government defaulting on its debt.

We will try and find out more background for the reasons for this decision, but it emphasises that the bondholders are now totally at the mercy of the Government and so far they have taken no notice of our representations on this matter.

Treasury Statements

The Treasury and Lord Myners have been suggesting in essence that the nationalisation of Bradford & Bingley has not affected the position of the subordinated creditors (ie. the PIBS holders). This is technically correct, but in reality it grossly misrepresents the reality of the situation. Clearly nationalisation and the subsequent disposal of the retail deposits to Santander has totally changed the structure of the company, and the likely future outcome. It is now being wound-up which significantly affects the position of the "undated" subordinated debt because there is not going to be a company in existence sooner or later to pay the interest due, and there is no certainty of capital repayment.

If the company had not gone into a wind up, and continued trading as a going concern, it would be a much more viable structure. It is blatant misrepresentation to suggest that the risk profile of the company, and of their investment so far as holders of the undated subordinated debt is concerned, has not changed very substantially.

The latest news on cessation of interest payments on the subordinated debt demonstrates very clearly that the security of bondholders is now very weak and that bondholders are being treated very differently to what would have likely happened if the company had remained in the private sector, where any default on its debt would have been seen as anathema.

Regional Meetings and Organisers

We are planning another meeting for shareholders, and one for subordinated bondholders, which will probably be in London in early October. We are also keen to hold other regional meetings because we recognise that shareholders are spread all over the UK, and getting to the Bradford area, or London, may not be easy. We would also like to appoint "regional organisers" to help plan such meetings and organise local groups and if you are willing to assist on this please contact David Blundell (email address above, or telephone 0113-281-3941 for more information).

UKSA Membership

Note that anyone who donates more than £50 to any of the current UKSA campaigns can claim free membership of UKSA for one year. There are many benefits of membership including a monthly newsletter and a variety of meetings where you can network with fellow investors. More information is present on this page of our web site: www.uksa.org.uk/Membership.htm . If you have donated more than £50 in the past year but have not claimed this benefit, simply call 020-8467-2686 to do so.

Demise of B&B Brand

The Bradford & Bingley name is to disappear from the High Street following the announcement from Santander they are to rename their disparate acquisitions under the name Santander. So Alliance & Leicester and Abbey will also go. It's not surprising really bearing in mind that the Bradford & Bingley company is being wound up, has just defaulted on its debt interest payments, and will be disappearing in due course.

Other News

We are still awaiting news of the appointment of an independent valuer for the ordinary shares, although we gather this may be imminent. Otherwise we continue to raise supporters by mailings to the share register.

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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