

To Bradford & Bingley Shareholders

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Bradford & Bingley Action Group – Update No. 5

Formal Launch of Campaign

The formal launch of this campaign was announced by the issue of a press release to over 300 press and other media contacts. This document is present on our web site at:

www.uksa.org.uk/UKSA_Press072_B&B_Campaign_Launch.pdf

Fund Raising for this Campaign

We have decided to start raising funds to support this campaign and for possible legal action. A page describing the appeal and suggesting a donation amount based on the number of shares you held is now present on our web site at: www.uksa.org.uk/AppealB&B.htm . Please help us to obtain some compensation for shareholders by supporting this campaign financially. We plan to write to all shareholders in due course and this is going to cost a significant sum of money. Regrettably it is simply not possible to run these kind of campaigns without some finance, but a small contribution by individual shareholders may well result in you obtaining some recompense for your losses on these shares which you may not otherwise obtain.

Treasury Committee Disclosures – “Deeply Sorry”

The House of Commons Treasury Committee interviewed a number of players in the recent financial crisis in the last couple of weeks. Rod Kent, former Chairman of B&B said he was “deeply sorry” for the collapse of the bank. He also said the “The Board accepts it is fully accountable for what happened”. It was also revealed by Richard Pym that the company faced a run of depositors in the last few days and hours before nationalisation with some £200 million taken out on the Saturday morning (the 27th September).

The Run Down to Nationalisation

Does this explain why the company was nationalised? In essence no because it would appear from the evidence given at the Treasury Committee that the decision was taken before the bank run on Saturday. For supporting evidence, it’s worth examining Robert Peston’s comments on the Friday and Saturday. The BBC’s Business Editor is known for disclosing information from his well connected sources before anyone else knows the facts – for example he was the person who released confidential information about the “rescue” of Northern Rock that started a stampede of depositors before the company could release this information.

On Friday the 26th at 4.50 pm he released an item that was headlined "B&B will be rescued soon". It contained the statement "I don't see any reason for those with retail deposits in B&B to get the willies" – this is the kind of "don't panic" comment that caused the run at Northern Rock and probably contributed to the final cash outflow at Bradford & Bingley (encouraged by other press comment on the Saturday morning).

On Saturday morning at 08.17 am Peston said "The Treasury and the FSA are trying to organise a rescue – but are some way from a decision about what that rescue might be". In other words, plans were already being drawn up for nationalisation and negotiations taking place with possible buyers of the retail network. Surely this is the true scenario – that in effect nationalisation and dismantling of the business had already been decided upon even while B&B was solvent, had not run out of cash and was trading normally. B&B was not bust when it was nationalised – the threat of nationalisation and the reporting of its imminence caused the final cash outflow, not the other way around.

We know from Katherine Conway of B&B Investor Relations that the bank had asked for funding from the Government in the days before nationalisation. We would like to know then why the "special liquidity scheme" announced in April and extended on September 19th and made available to other banks, had been refused to Bradford & Bingley. We would be surprised if Bradford & Bingley could not have put up sufficient security for the short-term assistance required. The rights issue, whose take-up was reportedly orchestrated and encouraged by the government, left the bank exceedingly well capitalised with a tier 1 capital ratio of 9.9% and a total capital ratio of 16.3%.

The Subordinated Bonds

In addition to the ordinary shares that have been confiscated in the nationalisation of Bradford & Bingley, the company had some Perpetual Subordinated Bonds outstanding (these were called PIBS when the company was a building society but were subsequently renamed). These bonds will sooner or later need to be repaid (or cancelled), although the first interest payment due after the date of nationalisation was paid. The company is being wound up over the next few years so they cannot remain outstanding for ever. Although the bonds are still trading, they have collapsed in value which suggests that the market expects a default sooner or later.

A page has been added at www.uksa.org.uk/B&B_Subordinated_Bonds.htm to the UKSA web site which contains more explanation of the position of the holders of these bonds, and the concerns that we have about the way they are being treated by the Government.

We also issued the following press release on this subject:
www.uksa.org.uk/UKSA_Press073_B&B_Subordinated_Bonds.pdf

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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