

## **Bradford & Bingley plc**

### **Pre-close Briefing – 21 June 2007**

*"We've had an excellent start to the year, marked by very strong growth. Prospects remain good for the second half as demand continues to drive the buy-to-let market. Increasing returns to shareholders through organic growth, portfolio acquisitions and capital management will be our focus for the remainder of 2007."*

Steven Crawshaw, Group Chief Executive

On the basis of the expected results for the half year, the Group believes it will achieve underlying profit before tax for the full year towards the upper end of the range of analysts' forecasts\*

#### **Lending volumes**

- The business has performed very well during the first half of the year, with new organic lending volumes, particularly buy-to-let, well ahead of the second half of last year.
- This strong organic growth has been supplemented by good levels of mortgage portfolio acquisitions.
- Due to the strong growth, we anticipate net residential lending in the first half will be almost double the level achieved in the same period of 2006.
- Our current pipeline of new business is strong and ahead of the year-end level.

#### **Funding**

- Retail savings balances have grown well during the first half in all channels and continue to play an important part in funding asset growth.
- In May we completed a further securitisation of £2.5bn in dollars, sterling and euros under our master trust structure.
- In our covered bond programme we raised CHF550m and have just priced a €2.5bn issue which will complete next week, further diversifying the geographic spread of our investors.

#### **Margins**

- There has been a modest dilution in the Group's net interest margin during the first half. This was caused mainly by funding mix, which in turn is due to the very strong asset growth. A further contributing factor is the reduction in margin on new fixed-rate mortgages, in line with the wider market, due to the sharply rising cost of two and three year money. We expect these trends to continue during the second half, and we remain confident in our prospects for income growth.

#### **Credit Quality**

- As expected, arrears levels are up slightly since the year end, due to the recent successive interest rate rises. Overall arrears levels and credit losses remain within our expectations.
- The impairment charge is likely to be in line with the first half of last year.

#### **Capital**

- Adopting the standardised approach to Basel II from April has improved our capacity to grow without raising capital. We will submit our waiver application at the end of June. We are committed to improving returns to shareholders by achieving a competitive and efficient capital structure and will outline our plans at the interim results.

## **Operating Costs**

- The Group continues to exercise strict cost control whilst growing the business. Cost growth remains below the rate of revenue growth, providing a further improvement in the cost:income ratio.
- We completed a further sale and leaseback transaction in May, taking advantage of the favourable market conditions, which realised £8.8m.

## **Market**

The increases in interest rates since August last year are now showing signs of slowing the rate of growth in the housing and mortgage markets. However, the fundamentals of these markets remain strong. The buy-to-let sector has continued to be very buoyant in the first half of the year and we believe it will continue to outperform the mainstream market in the second half and beyond, as the supporting demographics continue to drive demand over the medium-term.

\* A B&B poll of 19 analysts indicates a mean consensus forecast for 2007 underlying profit before tax of £367.6m within a range of £358m to £377m.

## **Conference call details**

Bradford & Bingley will hold a conference call at 0930 hours today with analysts and investors to discuss the information that is contained within this statement.

Live dial in number: +44 (0)208 996 3900  
Passcode: 434 895

48-hr replay dial in: +44 (0)207 136 9233  
Passcode: 78801877

The replay of the conference call will also be available on our website at [www.bbg.co.uk](http://www.bbg.co.uk)

## **Forthcoming events**

2007 interim results announcement	26 July 2007
Ex-dividend date	22 August 2007
Record date	24 August 2007
Dividend payment date	5 October 2007

## **Contacts:**

### **Investor Relations**

Katherine Conway  
+44 (0) 1274 554928  
Neil Vanham  
+44 (0) 1274 806341

### **Media Relations**

Simon Moyse, Finsbury  
+44 (0) 20 7251 3801

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