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Proposed £300m rights issue

14 May 2008

Bradford & Bingley[®]

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Introduction

- c.£300m net of expenses
- Fully underwritten by Citi and UBS Limited
- 16 shares for every 25 existing shares
- Issue price of 82 pence per share
- Represents a 36% discount to the Theoretical Ex-Rights Price
- Represents a 48% discount to closing market price of 158.75p on 13 May
- Subject to shareholder approval at EGM

Summary rationale

- Strengthen the Group's position as one of the better capitalised banking groups in the UK
 - New target range for Tier 1 ratio of 8 - 10%
 - Pro-forma¹ Tier 1 ratio of 10.1% and Core Tier 1 ratio² of 9.2%
- Well placed to continue pursuing the Group's strategy

Notes:

1. As at 31/12/2007 taking into account the rights issue and writedowns to 31/03/2008

2. Core Tier 1 defined as Tier 1 capital excluding innovative and non-innovative Tier 1 capital instruments

Timetable

- Next week - Shareholders' circular and notice of EGM to be published
- Early June - prospectus to be published
- Mid June - EGM to obtain shareholder approval
- Mid July - Rights issue to complete

Rationale for capital raising

To strengthen the Group's capital position and mitigate the impact of the previously announced reductions in the value of certain treasury investments

The strengthened capital position will

- Further support the Group's funding programme
- Enhance the Group's competitive position
- Further improve the Group's regulatory capital ratios

Mitigate impact of treasury asset write downs

- Reduction in the value of treasury assets has affected earnings and reduced shareholders' equity
 - £161m impact on shareholders' equity announced in the preliminary results in February 2008
 - Further £101m impact on shareholders' equity to 31 March 2008 announced in the IMS of 22 April 2008
 - Modest further impact in April of £13m
- The Group's capital position has absorbed the write downs
- Conservative approach to provisioning
- Well placed to manage remaining structured finance portfolio
- Board believes now is correct time to reinforce the Group's capital strength

Support the Group's funding programme

- Strengthened capital base will provide additional reassurance to funding providers
- Raising new capital supplements funding actions taken
 - £1.9bn additional retail savings in 2008
 - £2.0bn via committed 3-5 year funding facilities
 - £2.5bn raised through private funding transactions
 - Non-core loan book sales of some £4.0bn
- Board believes the Bank of England special liquidity scheme will improve the liquidity position of the UK banking system

Enhance competitive position

- Need for customer confidence in the UK banking sector is high
- By improving its capital position now, the Group will be better placed to reinforce its position as one of the leading mortgage and savings banks in the UK
- Better placed to meet the ongoing needs of mortgage customers
- Ensure key relationships with mortgage intermediaries continue to flourish
- Will provide further reassurance and enable the Group to continue to provide high quality mortgage and savings products in a competitive market

Improving the Group's capital ratios

	Actual capital as at 31/12/07	Expected net proceeds of rights issue	Loss impact in structured investment portfolio to 31/03/08	Pro-forma capital as at 31/12/07
Core Tier 1 capital (£bn)	1.3	0.3	(0.1)	1.5
Tier 1 capital (£bn)	1.4	0.3	(0.1)	1.7
Risk weighted assets (£bn)	16.7	-	-	16.7
Core Tier 1 ratio (%)	7.7	1.8	(0.3)	9.2
Tier 1 ratio (%)	8.6	1.8	(0.3)	10.1

Enhances Bradford & Bingley's position as one of the better capitalised banking groups in the UK

Dividends and dividend policy

- 2008 interim dividend
 - Expected to amount to approximately one third of the £129m 2007 full year dividend payment
 - Intention to pay in shares (an estimated 4.2p per share)
- 2008 final dividend - intention to pay in cash
- Targeting underlying dividend cover between 2.0 - 2.5 times over the medium term

Conclusion

- Rights issue will strengthen capital position
- Continuing to fund the bank successfully
- Reinforce position as one of the leading mortgage and savings banks in the UK
- Trading continues in line with the Interim Management Statement
- Well placed to continue pursuing the Group's strategy

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