

CHAIRMAN'S STATEMENT AT AGM - 23 APRIL 2002

GOOD MORNING, LADIES & GENTLEMEN. WELCOME TO THE SECOND ANNUAL GENERAL MEETING OF BRADFORD & BINGLEY PLC. I AM DELIGHTED THAT YOU HAVE TAKEN THE TIME TO BE WITH US TODAY IN BRADFORD. I HOPE YOU ENJOYED THE VIDEO WE HAVE JUST SHOWN AND THE GLIMPSE IT GAVE OF OUR AWARD WINNING YEAR.

I AM PLEASED TO SAY ALL YOUR DIRECTORS ARE HERE WITH ME TODAY.

BEFORE WE TURN TO THE FORMAL BUSINESS OF THE MEETING, I WOULD LIKE TO TAKE A FEW MOMENTS TO LOOK BACK OVER THE LAST YEAR.

2001 WAS BRADFORD & BINGLEY'S FIRST FULL YEAR AS A PLC, AND I CAN REPORT THAT WE HAVE CONTINUED TO MAKE GOOD PROGRESS IN BOTH OUR FINANCIAL PERFORMANCE AND OUR CONTINUING TRANSFORMATION.

LET ME FIRST REFER TO THE GROUP'S 2001 FINANCIAL PERFORMANCE.

I AM PLEASED TO TELL YOU THAT WE HAVE DELIVERED A RECORD GROUP PROFIT BEFORE TAX OF £253.1 MILLION, A 9% INCREASE OVER LAST YEAR.

THIS HAS BEEN ACHIEVED PRIMARILY BY GROWING OUR INTEREST MARGIN, WHILST AT THE SAME TIME CONTROLLING COSTS.

THE GROUP'S NET INTEREST INCOME INCREASED BY £17 MILLION TO £443 MILLION, DESPITE THE EXPECTED REDUCTION IN BOTH SAVINGS AND TRADITIONAL LENDING BALANCES FOLLOWING OUR CONVERSION TO PLC STATUS.

AT THE SAME TIME, OTHER INCOME WAS MAINTAINED AT £271 MILLION.

ADMINISTRATIVE COSTS GREW BY ONLY 2% YEAR-ON-YEAR TO £452 MILLION, EVEN THOUGH WE MADE FURTHER INVESTMENT IN DEVELOPING OUR DISTRIBUTION BUSINESS.

WE CONTINUE TO FOCUS ON STRONG COST CONTROL IN ALL AREAS OF THE BUSINESS.

THE MESSAGE IN THESE RESULTS IS ONE OF CONTINUITY.

- * WE HAVE MAINTAINED OUR PROFITABILITY.
- * WE CONTINUE TO ROLL OUT OUR STRATEGY.
- * WE CONTINUE TO INVEST IN OUR BUSINESSES, AND
- * WE CONTINUE TO MANAGE OUR COSTS.

THIS TIME LAST YEAR I MADE IT CLEAR TO OUR SHAREHOLDERS THAT WE SOUGHT TO BUILD VALUE FOR THEM BY RETAILING FINANCIAL SERVICES THAT TRULY MEET CUSTOMER NEEDS, AND ON LENDING FOR PROFIT.

WE HAVE MADE SUBSTANTIAL PROGRESS WITH BOTH STRANDS OF OUR STRATEGY.

IN MARCH 2001, WE LAUNCHED THE MARKETPLACE AT BRADFORD & BINGLEY, WHICH HAS BROUGHT FINANCIAL PRODUCT CHOICE AND ADVICE TO THE HIGH STREET.

THE MARKETPLACE BRAND IS BUILT AROUND OUR NETWORK OF OVER 500 BANK AND ESTATE AGENCY BRANCHES.

AS THE COUNTRY'S LEADING MORTGAGE BROKER, THE MARKETPLACE TYPICALLY OFFERS OVER 800 MORTGAGE PRODUCTS FROM MORE THAN 40 LENDERS.

OUR MORTGAGE ADVISERS ARE ABLE TO HELP CUSTOMERS GET THE BEST REPAYMENT AND PROTECTION SOLUTIONS AS WELL AS THE BEST MORTGAGE. THE MARKETPLACE ALSO OFFERS INDEPENDENT FINANCIAL ADVICE ON PENSIONS AND INVESTMENT PRODUCTS, TOGETHER WITH INSURANCE BROKING AND PROPERTY SERVICES.

DURING THE YEAR, WE INCREASED OUR NUMBER OF FINANCIAL ADVISERS FROM 801 TO 936, AND REMAIN WELL ON COURSE TO REACH OUR TARGET OF 1,000 ADVISERS BY THE END OF 2003.

WE ARE DELIGHTED THAT THE CUSTOMER RESPONSE TO THE MARKETPLACE HAS BEEN SO POSITIVE, WITH OVER 80,000 CUSTOMERS IN THE FIRST NINE MONTHS.

MARKETPLACE HAS ALSO BEEN NAMED BEST NEW MORTGAGE SERVICE BY YOUR MORTGAGE MAGAZINE.

CHARCOL GOES FROM STRENGTH TO STRENGTH, HAVING WON IFA OF

THE YEAR FOR THE THIRD YEAR RUNNING FROM MONEY MARKETING.

CHARCOL REGULARLY APPEARS IN THE PRESS, AND IN MORI POLLS, AS ONE OF THE MOST RESPECTED FINANCIAL SERVICE BRANDS IN BRITAIN.

IN 2001, CHARCOL ADDED INSURANCE BROKING TO ITS ONLINE SITE. AND, WHEN INDEPENDENT INSURANCE PLC COLLAPSED, CHARCOL INSURANCE BROKERS HELPED OVER 2,000 CUSTOMERS REPLACE THEIR INSURANCE COVER WITHIN TWO WEEKS, AND AT NO ADDITIONAL COST.

I AM ALSO PLEASED TO REPORT REAL PROGRESS IN OUR ONLINE CONSUMER BUSINESS. CHARCOL LAUNCHED THE FIRST ON-LINE WEALTH PROPOSITION WITH ADVICE; AND AN ON-LINE FUNDS SUPERMARKET.

WE ALSO LAUNCHED THE MARKETPLACE ONLINE AND BEGAN OUR PARTNERSHIP WITH RIGHTMOVE, THE LEADING PROPERTY WEBSITE IN BRITAIN.

BRADFORD & BINGLEY IS BRITAIN'S FOURTH LARGEST ESTATE AGENT, WITH A NETWORK OF OVER 250 BRANCHES TRADING UNDER A RANGE OF WELL ESTABLISHED LOCAL BRANDS, INCLUDING SLATER HOGG & HOWISON, GASCOIGNE PEES AND RENTON & RENTON.

THE ESTATE AGENCY BUSINESS PERFORMED PARTICULARLY WELL OVER THE YEAR. REVENUE GREW BY OVER 10%, AND CONTRIBUTION BY OVER 35%, ON A LIKE FOR LIKE BRANCH NETWORK.

THE FLOW OF CUSTOMERS INTO OUR ESTATE AGENCY OUTLETS ACTS AS AN IMPORTANT LEAD GENERATOR FOR OUR FINANCIAL SERVICES BUSINESSES.

ALL OF OUR ESTATE AGENCY BRANCHES NOW OFFER THE MARKETPLACE PROPOSITION.

OUR SAVINGS BUSINESS HAS OVER THREE MILLION CUSTOMERS, AND REPRESENTS A SIGNIFICANT ASSET AS WE DEVELOP OUR FINANCIAL SERVICES BUSINESS. WHILST THERE WAS AN OUTFLOW OF CUSTOMERS FOLLOWING FLOTATION, THIS WAS IN LINE WITH EXPECTATIONS, AND WAS PARTIALLY OFFSET BY THE DEVELOPMENT OF A RANGE OF SUCCESSFUL NEW SAVINGS PRODUCTS.

THE MORTGAGE MARKET HAS BECOME EXTREMELY COMPETITIVE OVER RECENT YEARS. OUR LENDING STRATEGY HAS THEREFORE

BEEN TO FOCUS ON PROFIT, RATHER THAN VOLUME. WE SPECIALISE IN NICHE MARKETS WHERE WE CAN ACHIEVE GOOD MARKET SHARES AND ATTRACTIVE PROFIT MARGINS.

MORTGAGE EXPRESS, THE GROUP'S SPECIALIST MORTGAGE LENDER, WON MULTIPLE AWARDS LAST YEAR FOR ITS SELF-BUILD AND BUY-TO-LET MORTGAGES.

SPECIALIST LENDING ALSO INCLUDES COMMERCIAL LENDING TO HOUSING ASSOCIATIONS AND PROPERTY COMPANIES.

THIS STRATEGY HAS LED TO RAPID GROWTH. SPECIALIST LENDING HAS INCREASED FROM 4% TO 54% OF OUR TOTAL NEW LENDING BETWEEN 1997 AND 2001, AND NOW REPRESENTS A PORTFOLIO OF £7.6 BILLION.

OUR EXISTING MORTGAGE CUSTOMERS REPRESENT A VALUABLE ASSET, WITH A MANAGED RESIDENTIAL BOOK OF OVER £16 BILLION. THE GROUP IS DEVOTING SIGNIFICANT RESOURCE TO CUSTOMER RETENTION, WHERE THIS CAN BE ACHIEVED AT ACCEPTABLE RETURNS. THE EXPECTED RISE IN MORTGAGE REDEMPTIONS IN THE POST-FLOTATION PERIOD HAS BEEN SUCCESSFULLY MANAGED, ALTHOUGH THE FULL FINANCIAL AFFECTS WILL NOT BE FELT UNTIL THIS YEAR.

IN JULY 2000, ALLTEL MORTGAGE SOLUTIONS ASSUMED RESPONSIBILITY FOR SERVICING BRADFORD & BINGLEY'S RESIDENTIAL MORTGAGE BOOK. IN JANUARY 2001, IT ALSO TOOK ON PART OF THE PROCESSING ACTIVITIES FOR MORTGAGE EXPRESS.

THESE ACTIVITIES WERE SUCCESSFULLY TRANSFERRED ON EXISTING SYSTEMS, WITH SIGNIFICANT COST REDUCTIONS AND SERVICE IMPROVEMENTS.

IN DECEMBER 2001, ALLTEL LAUNCHED ECROS, AN ONLINE SERVICING PLATFORM, WHICH MORTGAGE EXPRESS HAS INTRODUCED TO ITS INTERMEDIARIES.

CONVERSION OF THE BRADFORD & BINGLEY BACK BOOK TO A NEW AUTOMATED PROCESSING SYSTEM IS EXPECTED DURING THE SECOND HALF OF THIS YEAR.

DURING 2001, WE ANNOUNCED A PROGRAMME TO REDUCE OUR OPERATING COST RUN RATE BY £30 MILLION BY DECEMBER 2002. I AM PLEASED TO SAY THAT THIS PROGRAMME HAS BEGUN WELL, AND IS ON TRACK TO DELIVER THESE COST REDUCTIONS.

UNDERLYING EARNINGS PER SHARE WERE 26 PENCE IN 2001, COMPARED TO 22 PENCE THE PREVIOUS YEAR.

THE BOARD IS RECOMMENDING A FINAL DIVIDEND OF 8.7 PENCE PER SHARE. IF THIS IS AGREED LATER IN THE MEETING, IT WILL GIVE A TOTAL DIVIDEND FOR THE YEAR OF 13.0 PENCE.

BRADFORD & BINGLEY'S SHARES HAVE PERFORMED VERY WELL IN A DIFFICULT MARKET. BY THE END OF 2001, OUR FIRST FULL YEAR OF TRADING ON THE LONDON STOCK EXCHANGE, OUR SHARE PRICE WAS 285P COMPARED TO ITS FLOTATION PRICE OF 248P.

I AM DELIGHTED THAT OUR SHARES CLOSED YESTERDAY AT 327P.

WE HAVE RECENTLY COMPLETED OUR REVIEW OF THE GROUP'S MEDIUM TERM CAPITAL REQUIREMENTS, AND ANNOUNCED ON 20 FEBRUARY THIS YEAR OUR PLAN TO BUY BACK SHARES TO THE VALUE OF £150 MILLION OVER THE NEXT TWO YEARS. THIS SHOULD INCREASE EARNINGS PER SHARE AND HAVE A POSITIVE IMPACT ON THE SHARE PRICE.

DURING 2002, WE WILL CONTINUE TO DEVELOP OUR GROWING SELECTIVE LENDING AND FINANCIAL SERVICES BUSINESSES, WHILST CONTINUING TO CONTROL COSTS.

WE EXPECT TO SEE CONTINUED GROWTH IN REVENUES IN 2002, NOTWITHSTANDING THE REDUCTION IN NET INTEREST INCOME CAUSED BY THE FULL YEAR EFFECT OF THE POST-FLOTATION OUTFLOWS.

DURING 2001 THE FINANCIAL SERVICES AUTHORITY PROPOSED A NEW REGULATORY FRAMEWORK FOR MORTGAGE AND INSURANCE BROKING, AND ISSUED A CONSULTATION PAPER ON DEPOLARISATION. THESE PROPOSALS ARE LIKELY TO CHANGE THE SHAPE OF FINANCIAL ADVICE IN THIS COUNTRY.

WE WILL CONTINUE TO GROW OUR MARKETPLACE AND CHARCOL BUSINESSES AS WE BELIEVE BOTH BRANDS ARE WELL POSITIONED TO SUCCEED IN THE RAPIDLY CHANGING WORLD OF REGULATION.

THIS YEAR HAS STARTED WELL AND OUR PERFORMANCE TO DATE IS ON TARGET.

CONTINUED LOW INTEREST RATES HAVE BEEN GOOD FOR THE HOUSING MARKET AND MORTGAGE BROKING.

THE MARKETPLACE AND CHARCOL HAVE CONTINUED TO GROW AND WE HAVE FURTHER INCREASED OUR SALES FORCE.

SAVINGS BALANCES REMAINED STABLE OVER THE PERIOD.

OUR SPECIALIST LENDING BUSINESSES HAVE MAINTAINED THEIR STRONG MOMENTUM. OVERALL THERE HAS BEEN A MODEST NET ADDITION TO OUR LENDING BOOK.

WE BELIEVE THE EFFECT OF LAST WEEK'S BUDGET ON THE RETAIL PROPERTY AND FINANCIAL SERVICES MARKET WILL BE MODEST AND THAT THE CHANCELLOR'S CONSUMER TAX INCREASES SHOULD ALLOW THE MONETARY POLICY COMMITTEE TO MAINTAIN A LOW INTEREST RATE ENVIRONMENT.

WE ARE CURRENTLY TRADING IN LINE WITH MARKET EXPECTATIONS.

BEFORE TURNING TO THE FORMAL BUSINESS OF THE MEETING, I WISH TO PAY TRIBUTE TO TWO DIRECTORS WHO RETIRED FROM THE BOARD ON 28 FEBRUARY.

PETER FLESHER JOINED THE BUILDING SOCIETY BOARD IN 1995, AND THEN THE PLC BOARD IN 2000. HE BROUGHT INDEPENDENCE OF THOUGHT AND HIS SKILLS AS AN INDUSTRIALIST AND SCIENTIST TO THE BOARD IN HIS CUSTOMARY FORTHRIGHT MANNER.

KEVIN McGUINNESS, PLAYED A VITAL ROLE DURING OUR CONVERSION PROCESS. AS COMPANY SECRETARY, HE ALSO HAD A KEY ROLE IN OPERATIONAL MATTERS. KEVIN JOINED THE BRADFORD & BINGLEY BUILDING SOCIETY IN 1964 AND PROGRESSED THROUGH VARIOUS MANAGEMENT POSITIONS. HE WAS ALSO SECONDED FOR A TIME TO THE BUILDING SOCIETIES COMMISSION. HE JOINED THE BOARD IN 1999 AND WHEN HE RETIRED HAD COMPLETED 38 YEARS OF DEDICATED SERVICE.