



BANK OF ENGLAND

News release

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Bradford & Bingley plc Statement by the Chancellor

1. Today, the Chancellor of the Exchequer, announced that by order under the Banking (Special Provisions) Act 2008, Bradford & Bingley's UK and Isle of Man retail deposit business along with its branch network has been transferred to Abbey National plc. This transfer follows a competitive auction process for this part of the business, conducted by Morgan Stanley on behalf of HM Treasury. The remainder of Bradford & Bingley's business will be taken into public ownership.
2. This action by the Tripartite Authorities, protects savers' money by transferring their money to Abbey. Bradford & Bingley's branches, call centres and internet operations will be open for business as usual to provide continuity of service to customers.
3. Following recent turbulence in global financial markets, Bradford & Bingley has found itself under increasing pressure as investors and lenders lost confidence in its ability to carry on as an independent institution. The FSA determined on Saturday morning that the firm no longer met its threshold conditions for operating as a deposit taker under the Financial Services and Markets Act 2000 and FSA rules.
4. The Government, on the advice of the FSA and the Bank of England, acted immediately to maintain financial stability and protect depositors, while minimising the exposure to taxpayers. It has worked over the weekend to bring about the part public, part private solution which best meets those objectives.
5. For savers and borrowers of Bradford & Bingley it will be business as usual. Customers should continue to use their normal branches to access their accounts. The transfer of the retail deposit book has been backed by cash from HM Treasury and the Financial Services Compensation Scheme. Further details about these arrangements can be found on the HM Treasury website (see link on right).
6. Branches will be open this morning as usual, and internet, call centre, and all other transaction services will operate as normal. Although some of those employees are now employed under Abbey, they should all attend their workplace in the normal way. Savers' money remains absolutely safe and secure. Borrowers should continue to make their payments in the normal way.

7. The remaining assets and liabilities of Bradford & Bingley - principally comprising its mortgage book, personal loan book, headquarters and relevant staff, and treasury assets and its wholesale liabilities - will be taken into public ownership through the transfer to the Treasury of the company's shares. HM Treasury and the Financial Services Compensation Scheme will recover payments in the wind-down of the remainder of Bradford & Bingley. To provide assurance to wholesale depositors and borrowers, and to preserve financial stability in this case and maximise proceeds in the wind-down, the Government has put in place guarantee arrangements for six months to safeguard certain wholesale borrowings and deposits with Bradford & Bingley. It is the Government's current intention to seek state aid approval from the European Commission to extend these guarantee arrangements as part of the restructuring of Bradford & Bingley.

8. The FSCS has been triggered following the failure of Bradford & Bingley to meet its regulatory requirements, prior to the making of the Transfer Order.

9. Under the Transfer Order, the FSCS has paid out approximately £14bn to enable retail deposits held in Bradford & Bingley and covered by the FSCS to be transferred to Abbey. The Treasury has made a payment to Abbey for retail deposit amounts not covered by the FSCS, amounting to approximately £4bn, to be transferred to Abbey. In return, the FSCS and the Treasury have acquired rights in respects of the proceeds of the wind-down and realisation of the assets of the remaining business of Bradford & Bingley in public ownership.

10. The FSCS has financed its payout through a short-term loan from the Bank of England, which will be replaced with a loan from the Government after a short period of time. The repayment terms of the loan for the first three years provide for repayment of interest at a rate of one-year LIBOR plus 30 basis points, plus the repayment of any recoverables accruing to the FSCS from the wind-down of the business against the principal outstanding. The first payment, for interest from the period from now until end-March 2009, will take place at end-September 2009 and subsequent payments will be made annually thereafter. It is currently estimated that the first payment required in September 2009 by the FSCS under the loan will be approximately £450 million. After the first three years, it is intended that the loan will be refinanced by the Treasury, repayments of the principal to be made over a period of years in the light of prevailing market conditions.

11. The Chancellor of the Exchequer today confirms that the Government stands behind the FSCS, so it can be relied on to be able to play its role in meeting future claims that arise.

12. In the initial period of public ownership the senior management team of Bradford & Bingley will remain in place to manage the transition. The Chief Executive will continue to be Richard Pym. Over time the Government will look at the management of the residual assets to ensure that this is being done in the most efficient manner.

13. In the Transfer Order, the Government has varied the terms of Bradford & Bingley's dated subordinated debt in order to allow for the wind-down. The Transfer Order also, among other things, extinguishes existing

share options and provides for rights and obligations of lenders, bond holders, swap counterparties, suppliers and other counterparties which would otherwise be triggered by the transfer not to be triggered.

14. The Treasury with the other Tripartite Authorities, acting in their respective capacities, sought a range of private sector solutions before taking this action. However, with its financial advisor, HM Treasury concluded that this option best delivered its objectives of maintaining financial stability, protecting consumers and protecting taxpayers.

15. The listing of Bradford & Bingley's shares has been cancelled.

16. The Banking (Special Provisions) Act 2008 also provides for a compensation Order to be made. This order - relating to compensation for shareholders and others whose rights may have been affected by the transfer into public ownership - will be laid in due course.

17. In due course the Government will set out further information on the operational management of the residual part of Bradford & Bingley which has been taken into public ownership.