

Ratings

| Category | Moody's Rating |
|--|----------------|
| Outlook | Stable |
| Bank Deposits | Aa3/P-1 |
| Senior Unsecured | Aa3 |
| Subordinate -Dom Curr | C |
| Jr Subordinate -Dom Curr | C |
| Commercial Paper | P-1 |
| Bkd Other Short Term | (P)P-1 |
| Bradford & Bingley Capital Funding LP | |
| Outlook | Stable |
| Bkd Jr Subordinate -Dom Curr | Ca |

Contacts

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Key Indicators

Bradford & Bingley plc (Consolidated Financials)[1]

| | [2]12-09 | [2]12-08 | [2]12-07 | [3]12-06 | Avg. |
|---|-----------|-----------|------------|-----------|-----------|
| Total Assets (GBP million) | 49,394.60 | 55,922.60 | 51,984.60 | 45,354.20 | [4]2.89 |
| Tangible Common Equity (GBP million) | 1,480.90 | 1,654.70 | 1,292.10 | 1,345.60 | [4]3.25 |
| Total Assets (EUR million) | 55,595.55 | 57,841.82 | 70,777.74 | 67,314.53 | [4]-6.18 |
| Tangible Common Equity (EUR million) | 1,666.81 | 1,711.49 | 1,759.21 | 1,997.13 | [4]-5.85 |
| Total Assets (USD million) | 79,765.20 | 80,402.86 | 103,480.77 | 88,764.46 | [4]-3.50 |
| Tangible Common Equity (USD million) | 2,391.44 | 2,379.05 | 2,572.06 | 2,633.53 | [4]-3.16 |
| PPI / Avg RWA | 2.47% | -- | -- | 1.24% | [5]2.47% |
| Net Income / Avg RWA | -0.47% | -- | -- | 0.87% | [5]-0.47% |
| (Market Funds - Liquid Assets) / Total Assets | 82.59% | 82.34% | 32.17% | 27.46% | [6]56.14% |
| Core Deposits / Average Gross Loans | 1.11% | 2.00% | 63.00% | 61.36% | [6]31.87% |
| Tier 1 Ratio | 8.70% | 8.90% | 8.60% | 7.60% | [5]8.73% |
| Tangible Common Equity / RWA | 7.48% | -- | -- | 6.60% | [5]7.48% |
| Cost / Income Ratio | 21.52% | 9.64% | 58.89% | 58.75% | [6]37.20% |
| Problem Loans / Gross Loans | 5.70% | 2.60% | 0.38% | -- | [6]2.89% |
| Problem Loans / (Equity + Loan Loss Reserves) | 97.62% | 66.34% | 12.28% | -- | [6]58.75% |

Source: Moody's

[1] All ratios are adjusted using Moody's standard adjustments [2] Basel II; IFRS [3] Basel I; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] Basel II & IFRS reporting periods have been used for average calculation [6] IFRS reporting periods have been used for average calculation

Opinion

RECENT CREDIT DEVELOPMENTS

On 16 November 2010, one tranche of Bradford & Bingley plc's (B&B) Tier 1 securities were upgraded to Ca from C to reflect the fact that these securities will continue to make coupon payments. All other outstanding ratings of B&B were affirmed. The outlook is stable on all ratings.

Rating Rationale

B&B's senior debt/deposit ratings of Aa3/P-1 are based on the UK government guarantee and reflect the following: 1) the UK government guarantee which covers all unsubordinated and unsecured wholesale debt and deposits of B&B. 2) the 100% government ownership of B&B.

and 3) the substantial liquidity provided by the government for the payment of senior obligations.

Moody's said, the guarantee for B&B's senior obligations is similar to the UK guarantee on Northern Rock's Asset Management's senior obligations. In both cases, the guarantees fall under public law and as such lack some of the criteria for Moody's to consider them a full credit substitution vis-à-vis the Aaa rating of the UK government. For example, the guarantee does not explicitly mention that it is an "unconditional and irrevocable" obligation of the UK government which precludes the guaranteed senior debt from being rated at the same level as the UK government. Nonetheless, we believe that the senior creditors benefit from a very high level of support from the UK government ownership of B&B as well as our understanding regarding the ample liquidity provided to them through a working capital facility of up to £11.5 billion. The facility is provided by the Bank of England and HM Treasury, and is available for repayment of all senior unsecured debt obligations. The ratings also take into account the risk that B&B may be sold at some point in the future to a third party and that the form of the guarantee could be subject to change by legislation as it is written under a "public law" contract. The Aa3 rating indicates, however, that we consider such risk to be minimal while B&B is in government ownership.

Moody's notes that coupon and principal payments have been suspended on all B&B's subordinated instruments, however, B&B will continue to make payments under its subordinated guarantee for the £150million 6.462% Guaranteed Non-voting Non-cumulative Perpetual Preferred issued by Bradford & Bingley Capital Funding LP. The subordinated guarantee was provided by Bradford & Bingley plc (B&B) to Bradford & Bingley Capital Funding LP and it has been invoked because of the coupon deferral. Moody's has upgraded the rating of this security from C to Ca to reflect its better rate of recovery relative to other subordinated securities outstanding. B&B's other subordinated debt and hybrids are rated C with a stable outlook reflecting the fact that they do not benefit from the government guarantee, have suspended all coupon payments and are fully loss absorbing. Moody's believes that there will be only a limited recovery for the holders of these instruments because of the amount of losses embedded in the assets of B&B which are to satisfy these obligations after all other secured and more senior unsecured obligations have been paid.

Moody's further noted, that in June 2010, B&B repurchased nearly 85% of its Lower Tier 2 as well as its Upper Tier 2 securities as a result of a cash tender offer for these securities at a substantial discount. Subsequently in November 2010, B&B offered for tender for most of its remaining hybrid securities again at discounted prices. Therefore, most of B&B's subordinated securities have now been tendered for cash and to the extent of a full take up of the offer their ratings will be withdrawn.

Credit Strengths

- B&B benefits from government ownership as well as a government guarantee on senior debt and deposits

Credit Challenges

- Maintaining credit quality will be a challenge given the weak asset quality and high arrears in the mortgage portfolio which is in orderly liquidation

Rating Outlook

The outlook on the senior debt/deposits ratings is stable and reflects their direct link to the stable outlook on the UK government debt.

What Could Change the Rating - Up

Given the final and approved guarantee in its current form an upgrade is unlikely

What Could Change the Rating - Down

Removal or any change in the terms and intention of the full guarantee of the senior debt and deposit borrowings

Global Local Currency Deposit Rating (Joint Default Analysis)

The debt and deposit ratings of B&B are Aa3 and carry a stable outlook. The rating incorporates three main elements: 1) the final approval by the European Commission of the UK government guarantee which covers all unsubordinated and unsecured wholesale debt and deposits of B&B, 2) the 100% government ownership of B&B, and 3) the substantial liquidity provided by the government for the payment of senior obligations.

Notching Considerations

The ratings of B&B's subordinated securities at C, and Ca for one tranche of Tier 1 securities issued by B&B Capital Funding LP, are based on Moody's view on the lack of systemic support for subordinated securities while taking into account expected losses for these securities in B&B's orderly liquidation.

Foreign Currency Deposit Rating

The foreign currency deposit ratings of B&B, at Aa3, are unconstrained given that the UK, in common with other EU members, has a country ceiling of Aaa.

Foreign Currency Debt Rating

The foreign currency debt ratings of B&B at Aa3, are unconstrained given that the UK, in common with other EU members, has a country ceiling of Aaa.

ABOUT MOODY'S BANK RATINGS

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the BFSR as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, they are intended to

incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, which includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Credit Assessment. In calculating the Global Local Currency Deposit rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.



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