

Many thanks for joining us here at the Sheffield Arena this morning. I really appreciate that so many of our shareholders have taken the time to join us. It's unfortunate that we couldn't hold this meeting closer to our heartland of West Yorkshire, however, having to reconvene this meeting at very short notice meant we didn't have any choice in venue. I also appreciate the timing of 9am is not particularly helpful for those having to travel some distance, but again we have been driven by logistical and legal issues surrounding this process. If you vote in favour of the Rights Issue this morning, we have to mail all our shareholders this afternoon setting out their options, which is a very large undertaking with over 900,000 shareholders and the sheer scale of this operation means we had to start this morning's meeting as early as possible. Please accept my apologies if the timing or venue of this meeting has caused you any inconvenience.

As you will be aware from the Supplementary Circular and the attendant media publicity, the Rights Issue and TPG Investment we previously proposed, as described in the Circular of 10 June, have changed significantly: TPG terminated their agreement with us and several of our major shareholders have come together to support a proposed Enlarged Rights Issue, which will give the same level of proceeds to the Company as the previous proposals. The Extraordinary General Meeting originally convened for 7 July 2008 was adjourned to today in order to give shareholders an appropriate opportunity to consider the details of the new proposals, as set out in the Supplementary Shareholder Circular of 7 July.

We're here today to vote on the resolutions we need to proceed with our enlarged rights issue to raise approximately £400m of capital net of expenses. The process to get here today has taken a few twists and turns along the way, and the last few weeks have been particularly challenging for B&B. We've had some very intense media coverage, and we've seen a decline in our share price, both of which have been very uncomfortable for all stakeholders, including our colleagues, along with other banks' shares, shareholders and customers. I'd like to spend a few minutes taking you through the chronology of events.

On **14th May**, we announced our intention to raise approximately £300m net of capital via a rights issue. The reasons for the rights issue were clear then and remain the same today.

Your Board believes the proceeds will strengthen the Group's capital position and will mitigate the impact of the previously announced reductions in the value of certain of the Group's treasury investments. The strengthened capital position will further support our funding programme, enhance our competitive position and improve our regulatory capital ratios well above the regulatory minimum.

As the Board reviewed April's figures at the end of May, it became apparent that we were seeing a downturn in our performance which was likely to affect our profits for 2008. This downturn happened quickly, and admittedly we were slow to pick up on the shift in trends. Once we had absorbed the implications of these figures, and captured how we believed it would affect our outlook for the remainder of the year, we knew we had to update the market. Combined with this negative news was a further shock, the stepping down of Steven Crawshaw due to ill health. Steven became very unwell very quickly and it was clear he could not continue in his role.

It immediately became clear to your Board that announcing the news of the loss of our Chief Executive, together with lower than expected trading figures, into a very weak stock market, particularly in financial stocks, as we had to do, would on its own have led to a very sharp fall in our price and possibly caused instability in our business.

We therefore entered into a weekend of discussions with TPG, a substantial investor who was interested in taking a strategic stake in our business and whose very presence and reputation would have provided stability. They had a solid track record on investing in financial institutions, were prepared to invest in our business at a time of real uncertainty, and they could move quickly. The price we negotiated over that weekend with TPG in return for giving them up to a 23% stake in the business was 55p per share. In the light of this the Board decided to readjust the terms of its rights issue. The new rights price was set at the same 55p and we took the opportunity of increasing the approximate proceeds by £100million to £400 million, with TPG investing £179m and the proceeds of the rights issue raising £258m. All of this was announced on 2 June. The EGM was reconvened for early July. Our credit ratings were downgraded by one notch shortly after our announcement.

On 20th June we were approached by Resolution with a proposal which led to us immediately engaging with them in discussions. Their intention was to invest £400m in the Company and they had a plan to consolidate a number of smaller UK banks and financial institutions. The Board responded very quickly to Resolution, but we asked for clarity on a number of points before allowing Resolution then to enter into full due diligence. We had received no definite details of how Resolution planned to fund their investment and also we were concerned at the structure of their proposal and that they would be taking effective control of the business although this wasn't reflected in the terms they were proposing. Before we received clarification on these points, Resolution withdrew their interest barely a week later, on 27th June. As you'll remember, these events were heavily reported in the media at the time.

On 3rd July, we were informed by the credit rating agency Moodys, of their decision to downgrade our debt ratings by a further notch due to their concerns over worsening UK economic environment and the impact they expected this

would have on the business of Bradford & Bingley. As this was the second downgrade during our rights issue process, it triggered a clause in TPG's subscription agreement which allowed them to terminate the agreement, and they exercised their right to do so.

This was a both a surprise and a disappointment to us, but we had had the foresight to have a contingency back up plan. We were pleased that our underwriters, UBS and Citi, who had the same rights as TPG, confirmed their intention to continue to underwrite the issue and we also secured the support of four of our largest shareholders. On 4th July we therefore announced a further amendment to our rights issue - enlarged to the full £400m with the issue price remaining at 55p, on a 67 for 50 basis. This meant that the EGM was adjourned to today's date, to allow us to write to all shareholders with the new information.

Your Board acknowledges that this process of raising capital has not been an easy or a smooth journey for Bradford & Bingley. We have had disappointments and distractions along the way which have led to uncertainty and delays, creating a lot of coverage in the media. We completely understand that this has not been a comfortable process for our shareholders, our customers, and our employees.

I do think it is worth reminding ourselves of the extraordinary environment in which this company and other banks are operating, not just in this country, but across the globe.

Normal wholesale medium-term funding markets (whether secured or unsecured) have largely been shut since last summer; short term financial trading between banks has been much curtailed, with LIBOR trading at levels far further above Base Rate than is normal.

The prices of all UK bank shares over the last 12 months have all been substantially down - Alliance and Leicester -73%, HBOS -75%, Bradford & Bingley 88% and much larger banks than us have had stock market problems with their Rights Issues.

Underneath it all UK residential property prices started to fall significantly from the turn of the year. Since then they have dropped by some 6%-8% across the country - whilst the number of housing transactions slowed dramatically by some 40% in Q1.

But we must not forget that mortgage lending has been, and always will be, a cyclical business. For much of the time, the climate is benign, but for roughly 2 years in every decade there is a downturn. This is just such one, but it will pass and if we keep our heads we will trade through it.

We must also not forget that, subject to your approval at this EGM for our

Rights Issue, we will have got the comfort we require to take our business on safely and we will be one of the best capitalised banks in the UK. AND we have the explicit backing of 4 of our largest shareholders.

Nor should we forget that, despite the gloom of our house prices, house rental levels are still going up and rental demand is generally buoyant- and this is highly relevant for our BTL business, which comprises some 60% of our mortgage lending book.

Of course there is much work to do and we are not complacent. One of the highest priorities is to secure a new Chief Executive and we are well underway with our search. A positive vote today will obviously make that task easier. We are already improving the speed and timeliness of our financial and operating data and we are clearly putting more resources - and will continue to do so - into our collections side to deal with the rising trend of arrears. Our savings side is offering our customers attractive deals both on the internet and in our branches.

As you know, the Board recommends that shareholders vote in favour of the relevant resolutions to allow the Rights Issue to proceed. The Board intend to take up in full their rights to subscribe to Rights Issue shares in respect of their shares.