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Bradford & Bingley Bond Offer Does one trust Her Majesty's Treasury?

BBAG has received hundreds of requests from Permanent Interest Bearing Shares/Bond holders as to its view on the B&B offer, dated the 28 November 2014, to purchase the 13% and 11.625% Perpetual Subordinated Bonds at purchase prices per £10,000 in principal amount outstanding of £19,900 and £18,650 respectively.

BBAG is not authorised to give investment advice, however the current offer does appear to be reasonable and compares favourably with the previous one in 2010 of £3800 and £3600, which I said at the time was both derisory and opportunistic as it took advantage of many B&B share and bondholders who were pensioners and in severe financial difficulties due to the expropriation of the company and the non payment of interest on their investments. Consequently, many were desperate to retrieve their capital regardless of the loss as they could no longer take a long term view due to the past failures of the UK Government and the tripartite regulatory authorities. One of the conditions of the tender offer is quite unreasonable as it appears to include a disentitlement to the offer should a bond holder attend the meeting. This suggests B&B simply do not want bondholders attending the meeting and expressing their views.

Mark Taber, the fixed income blogger and campaigner who publishes the fixedincomeinvestments.org.uk website has for years lobbied for a fair outcome for bondholders and has been voluntarily involved in these offers. Mark has been quoted in the Financial Times and Telegraph:

"I welcome the offers announced today and consider they represent a fair valuation of the future return bondholders would receive when the run down of B&B is finally completed. They provide the thousands of retail investors in former B&B PIBS with the opportunity to surrender their bonds now in return for a cash payment which exceeds the market price and the nominal value plus all unpaid interest since payments were stopped in 2009. The offer price equates to a compound annual growth rate of just under 4.5% on the future cash flow bondholders would receive when the rundown is substantially completed in about ten years time. This is competitive when compared to the yields on the perpetual bonds of continuing banks and building societies."

BBAG considers a decision should be based on personal circumstances such as age and cash flow needs, which may suggest a short term 'bird in hand approach' when balanced against an unknown rundown period and the extent to which one trusts Her Majesty's Treasury.

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