

# Directors' report – Review of 2003

## The Directors have pleasure in presenting their Report for the year ended 31 December 2003.

### Principal activities

The principal business activities of Bradford & Bingley are to:

- lend on residential and commercial property;
- offer a range of retail savings services;
- operate as a retailer of mortgage, investment and insurance products provided by a range of companies (including products regulated under the Financial Services and Markets Act 2000); and
- offer residential estate agency, survey and other property related services.

The Group's existing business and future prospects are reviewed in the Chairman's Statement and the Group Chief Executive's Review on pages 4 to 5 and pages 6 to 11 respectively, whilst financial aspects are covered in the Group Finance Director's Review on pages 12 to 21. A list of the Group's principal subsidiaries, and the nature of each company's business, is given in note 16 to the Financial Statements.

### Results and dividend

The profit before tax for the year ended 31 December 2003 was £263.0 million (2002: £240.6 million). The Directors are proposing the payment of a final dividend of 11.0 pence per share on 7 May 2004 to shareholders on the Register at the close of business on 26 March 2004. Together with the interim dividend of 5.5 pence per share, this will make a total dividend for the year of 16.5 pence per share (2002: 14.8 pence per

share). For further details please see the Group Finance Director's Review on pages 12 to 21.

### Directors and their interests

The current Directors of the Board of Bradford & Bingley plc and their biographical details are shown on pages 22 and 23. Stephen Webster, Ian Cheshire and Louise Patten were appointed as Non-executive Directors of the Company on 1 May, 8 August and 17 December 2003 respectively. Ian Darby and Robert Dickie were appointed as Executive Directors on 8 August 2003. Non-executive Directors Diana Courtney, Mark Smith and Trevor Lewis retired from the Board on 30 April, 17 December and 31 December 2003 respectively.

George Cox and Rosemary Thorne will retire by rotation at the forthcoming Annual General Meeting ('AGM') and offer themselves for re-appointment under the terms of the Articles of Association. Stephen Webster, Ian Cheshire, Louise Patten, Ian Darby and Robert Dickie, who were appointed since the last AGM, are required to retire at the AGM and seek re-appointment in accordance with the Articles of Association. Rosemary Thorne, Ian Darby and Robert Dickie have service contracts with entitlements to 12 months' notice. George Cox, Stephen Webster, Ian Cheshire and Louise Patten do not have service contracts.

The beneficial holdings in ordinary shares, shown below, include the Directors' personal holdings and those of their spouses and minor children.

Details of Directors' remuneration, share options and other share awards made to Directors are shown in the Directors' Remuneration Report on pages 32 to 40. Further information regarding employee share option schemes is given in note 28 to the Financial Statements. There has been no change in the Directors' interests in shares or options granted by the Company between the end of the financial year and one month prior to the date of the Notice of the Annual General Meeting. The Register of Directors' Interests, which is open to inspection by shareholders, contains full details of Directors' shareholdings and options to subscribe for shares.

### Ordinary shares

	At 31 December 2003	At 31 December 2002
Rod Kent	25,000	0
Trevor Lewis**	16,060	16,060
Christopher Rodrigues	15,947	15,947
Ian Cheshire	328	0*
Nicholas Cosh	8,000	8,000
George Cox	0	0
Steven Crawshaw	10,073	10,073
Ian Darby	2,860	2,860*
Robert Dickie	0	0*
Louise Patten	0	0*
Rosemary Thorne	5,595	5,595
Stephen Webster	3,000	0*

\* As at date of appointment

\*\* Retired from Board 31 December 2003

No Director had any material interest during the year in any contract of significance to the Group's business.

### Corporate Governance

Full details of the Board's approach to corporate governance are contained in the separate report on pages 27 to 29.

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### Share capital and purchases of own shares

Full details of the authorised and issued share capital are provided in note 28 to the Financial Statements.

At the AGM in 2003, the shareholders authorised the Company to purchase up to 65.3 million of the Ordinary 25 pence shares. This was a renewal of the authority granted in previous years. During the year 19.7 million Ordinary 25 pence shares were purchased at a cost of £61.6 million. The shares bought back were cancelled from the number of shares in issue. This represented the conclusion of a share buy-back programme which commenced in February 2002. Under the programme a total of 47.9 million shares were purchased for cancellation at a cost of £150 million (excluding Stamp Duty costs). The number of shares in issue reduced as a consequence of this programme from 682 million to 634.1 million.

The authority to purchase shares remains valid until the Annual General Meeting in 2004 or, if earlier, 27 October 2004. A resolution will be put to shareholders to renew the authority at the forthcoming AGM.

At the date of this report the following interests of 3% or more in the issued share capital of the Company had been notified in accordance with Sections 198 to 208 of the Companies Act 1985;

AXA S.A. and its group companies	4.08%
Legal & General Group plc	3.10%

### Corporate social responsibility

Bradford & Bingley is committed to carrying out its activities in a socially responsible manner in respect of the environment, employees (including equal opportunities, employee participation, staff incentives), customers, shareholders, the local communities and other stakeholders. The details are included in the report on corporate social responsibility on pages 30 to 31.

This year, as well as providing a summary in the main Annual Report & Accounts, Bradford & Bingley is publishing its first separate Corporate Social Responsibility Report. See details on page 30.

### Charitable and political donations

During 2003 the Group allocated £1,018,577 to its programme of community investment, including total payments to charitable organisations of £396,660. Details of the projects supported are given on pages 30 to 31.

No contributions were made for political purposes in 2003. Our plans do not include any payments that might be deemed to be political in nature.

### Creditor payment policy

It is the general policy of the Company to pay creditor invoices within 30 days of the invoice date. The Company is willing to consider requests by small suppliers for a shorter settlement period. The average number of creditor days in 2003 was 15 days (2002: 20 days).

### Annual General Meeting

The Notice of the AGM to be held on 27 April 2004 is given in the booklet which accompanies this report. Resolutions to approve a new employee share plan together with a renewal of the authority to enable the Company to make market purchases of its own shares, up to a maximum of 63.4 million shares, will be put to the Meeting.

### Auditor

A resolution to re-appoint KPMG Audit Plc will be put to shareholders at the forthcoming AGM.

By order of the Board

Alan Shankley  
 Company Secretary  
 16 February 2004