

Directors' remuneration report

The following report has been approved by the Board for agreement with shareholders.

Remuneration Committee

The objective of the Remuneration Committee (the 'Committee') is to develop and apply remuneration strategies that drive performance and reward performance appropriately for the Executive Directors and other senior executives. It is also responsible for the overall remuneration policy for all employees.

The Committee has been composed entirely of Non-executive Directors, as detailed in the table below:

Non-executive Director	Membership dates during 2003
Mark Smith (chairman until 3 Nov)	1 Jan – 3 Nov
George Cox (chairman from 3 Nov)	All year
Trevor Lewis	All year
Rod Kent	All year
Nicholas Cosh	From 25 Nov
Louise Patten	From 17 Dec

Rod Kent, Chairman of the Company, who has been a member of the Committee since 26 November 2002, will continue to attend meetings for those items other than his own arrangements but, in line with current corporate governance practice, ceased to be a member with effect from the end of January 2004.

The Group Chief Executive, Christopher Rodrigues, attends the Committee meetings for those items other than his own arrangements. In addition, a representative from Human Resources is available to provide advice. This role was undertaken by Steven Crawshaw, Managing Director, Lending & Savings in his capacity as HR Director, until 3 November 2003, and thereafter by Andrew Law, General Manager, HR and Purchasing.

The Committee receives advice from a number of sources. The Monks Partnership is the Committee's appointed independent adviser and provides no other services to the Group. Towers Perrin provide external advice to the Board and the Committee on executive compensation levels, structure and design. Towers Perrin also provide services to the Group on employee reward, retirement and administration. Mercer Human Resource Consulting are appointed as the Company's pension scheme actuaries and provide advice to the Company on its pension arrangements. In addition, Watson Wyatt Consultants provide advice to the Committee on Pensions issues.

Attendance at meetings during 2003 is recorded in the Corporate Governance section of this Annual Report & Accounts.

Remuneration policy

The Committee continues to develop a coherent set of reward policies to incentivise performance and balance short and longer-term goals.

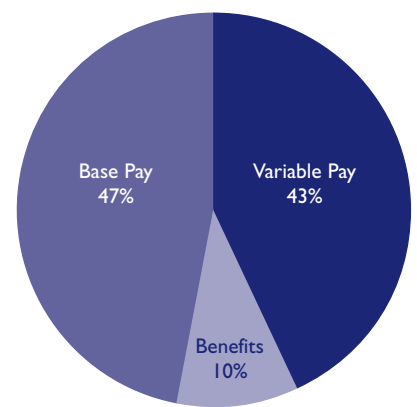
The resulting remuneration package comprises two broad elements:

- fixed pay, i.e. base salary and benefits including pension; and
- variable pay, i.e. one short-term incentive (bonus) and two long-term incentives (share options and performance shares).

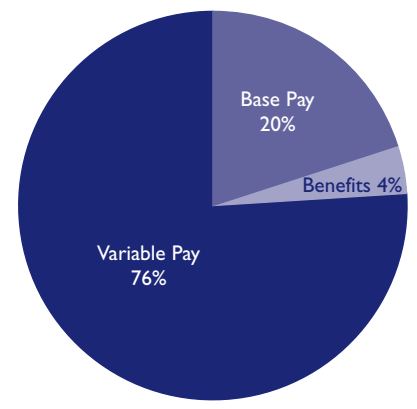
The package is structured so that high rewards are paid only when shareholders benefit from high returns.

At the upper end of performance, when the options and performance shares vest in full, around three-quarters of the remuneration package is dependent on performance. For 'on target' performance, the variable pay element is around two-fifths of the total package.

Total Remuneration at Target Performance



Total Remuneration at Upper End Performance



Wide share ownership within the Company is encouraged through the use of a savings related share option scheme and through the award of restricted shares to key, high-performing individuals. Over 3,400 employees, including Executive Directors, are currently members of the savings related share option scheme, and over 300 employees were awarded restricted shares during 2003 in recognition of their sales performance. This latter scheme, in which the shares vest over a three-year period (in equal tranches), is not available to Executive Directors.

In addition, the Company operates a Group Profit Share for all employees, subject to scheme rules. The Group Profit Share only pays out for Group performance at or above target. On-target performance delivers 3% of salary, and for performance that significantly exceeds the annual pre-tax profit targets, the maximum payment is 6%. The Group Profit Share payments for Executive Directors are included in their short-term incentive plan.

The Committee believes that the current remuneration policies have served the Company well. However, the Committee has reviewed incentive arrangements for Executive Directors and other senior employees.

After flotation, the Company wished to engender a 'one-group' culture, and therefore pursued a set of remuneration policies to incentivise business performance through group-wide schemes, such as the Group Profit Share, which was available to all staff. Whilst this general philosophy remains appropriate for Executive Directors, now that the business model pursued by the Company has matured, the Committee believes that the link between performance and reward can be better focused by allowing each major line of business to pursue tailored reward models. For example, Group Profit Share will be replaced in 2004 by specific incentive schemes for each area of the Business.

Base salary

Base salaries for Executive Directors are set at market levels. These are typically aligned to the median of companies in the financial services sector, taking into account individual job responsibilities and personal performance against pre-set objectives. Salaries are reviewed annually in April. Base salary is the only element of pay that is pensionable.

Short-term incentive

Along with around 200 other employees, Executive Directors participate in a short-term incentive plan. For Executive Directors, the 2003 plan pays out 40% of base salary for on-target performance, and the maximum possible payment is 80%. The performance measures (for 2003; group profit, business unit performance and individual key objectives) are designed to deliver year-on-year improvements in performance. For 2004, the Committee expects to continue to incentivise short-term performance, but intends to review the exact form of the scheme with a view to initiating stronger links between the short-term and long-term incentive plans.

Long-term incentives

Under the long-term incentives, approved by shareholders as part of the flotation process, share options are granted to around 80 executives, including Executive Directors, to encourage sustained share price and profit growth. To reflect this, and in line with market practice, the Company's earnings per share growth must exceed the increase in the retail price index by at least 9% over a three year period, before the share options can be exercised. If the performance condition has not been achieved at the end of three years, the test may be repeated on three further consecutive occasions, otherwise the options lapse. In 2003, Executive Directors received option grants to the face value of their basic salary. The level of the grant, up to the maximum of 100% of base salary, is reviewed on an annual basis.

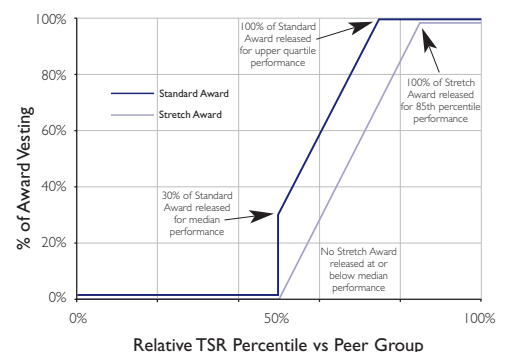
The definition of earnings per share ('EPS'), used to assess performance for 2003, is 'basic' EPS, which assumes earnings to be the profit of the Group after all payments, including taxation, are made. This measure was chosen as the most significant measure of overall financial performance of the Company.

A Performance Share Plan ('PSP') replaced the 1998 Long Term Incentive Plan on flotation. In order to incentivise participants, of whom there are 18 including the Executive Directors, to out-perform the competition over the longer-term, the performance measure is comparative Total Shareholder Return ('TSR'), which measures the growth in share price and re-invested dividends. The group of companies chosen for comparison is determined for each PSP award. The current group is composed of similar financial services companies (the 'comparator group'), and is:

Abbey National	Legal & General
Alliance & Leicester	Lloyds TSB
Aviva	Northern Rock
Barclays	Old Mutual
Countrywide	Prudential
Egg	Royal & Sun Alliance
HBOS	Royal Bank of Scotland

At the commencement of each three-year performance period participants are awarded a 'standard' award up to a maximum of one times basic salary. Executive Directors may receive a 'stretch' award of up to a further one times basic salary. The level of both the standard and the stretch award, up to a combined maximum of twice salary, is reviewed on an annual basis.

Fig. 1 – Performance Share Plan Vesting Schedule



Directors' remuneration report

Shares are released to participants depending on the level of the Company's TSR relative to the comparator group at the end of three years. There are different release criteria for the standard and stretch awards as set out in the vesting schedule (see Fig.1).

For achievement of relative three-year TSR between median and the upper threshold, vesting is on a pro-rata basis. Notwithstanding the comparative TSR performance, the Committee must also be satisfied that the underlying financial performance of the Company warrants vesting.

This vesting schedule has been adopted to reward only out-performance against the comparator group and help to ensure that there is a direct link between the level of the award and the difficulty of the performance conditions. If the performance condition is not achieved at the end of three years, the award lapses.

Future Incentive Arrangements for Executive Directors and Members of the Executive Committee.

The Committee proposes to revise its short and long-term incentive plans for senior executives from 2004 onwards, with the aim of simplifying the existing schemes. The proposal is to replace the current short-term incentive plan and both of the long-term incentive plans with a single scheme that encompasses both aspects of performance. This plan will apply to those individuals whose personal performance has a significant impact on the Company's results, namely the Executive Directors and the members of the Executive Committee (approximately 25 in total).

Within this plan, up to a maximum of 60% of base salary can be paid in cash as a reward for short-term performance following the year end. The other element of the plan will be awarded as an equivalent amount of shares, as a stake in the longer-term. However, these shares will not vest for three years, and if a participant leaves

the Company, they will have no automatic right to the shares. If the Company performs well, the value of the shares will be multiplied in line with pre-set performance conditions. Further details are provided in the relevant shareholder resolution in the Notice of Annual General Meeting 2004 document.

Subject to shareholder approval, the new performance-related plan will be introduced during 2004.

If shareholders approve the proposed new arrangements then the use of options will be discontinued, for all current employees, from January 2004 onwards, and no new awards will be made under the Performance Share Plan from April 2004 onwards. Appropriate transitional arrangements will operate for all employees affected by these changes.

Benefits

In line with other companies, benefits are provided in the form of a company car (or cash allowance), private medical insurance and permanent disability and accident insurance.

Executive Directors are members of the Company's non-contributory pension plan. This provides an accrued pension at retirement based on one-fortieth of the base salary paid over the prior twelve months ('final salary') for each year of pensionable service for Ian Darby and Robert Dickie. For Christopher Rodrigues, Rosemary Thorne and Steven Crawshaw, pension benefits accrue at one-fortieth, for service up to 31 December 2000, and at one-thirtieth thereafter.

The pension scheme provides a lump sum death-in-service benefit of the higher of four times basic salary or four times earnings in the previous tax year, together with spouse and dependants' pensions.

The pension arrangements for all employees, including Executive Directors, are currently under review. This review includes consideration of retirement dates.

Contracts

In line with Group policy, all Executive Directors have service contracts that expire at their respective normal retirement age, but the Company has the right to give 12 months' notice of termination (or payment in lieu) and the Director may give 6 months' notice.

Executive Directors receive a maximum of 12 months' basic salary and other benefits in the event of the Company terminating the contract without notice for any reason other than gross misconduct (when there will be no compensation). The date of each service contract and the age of each current Executive Director (as at 31 December 2003) are shown below.

Non-executive Directors

Market level fees for the Non-executive Directors are determined by a Committee of Executive Directors, the current membership being Christopher Rodrigues, Rosemary Thorne and Steven Crawshaw. Towers Perrin provide independent advice on best practice and market fee levels, taking into account the responsibilities and time commitment of each Non-executive Director.

Executive Director	Age at 31 December 2003	Date of service contract
Christopher Rodrigues	54	3 June 1996
Rosemary Thorne	51	29 November 1999
Steven Crawshaw	42	6 April 1999
Robert Dickie	44	31 December 2002
Ian Darby	40	3 December 1984

35 Bradford & Bingley plc

Annual Report & Accounts
for the year ended 31 December 2003

The Non-executive Directors do not participate in any incentive arrangements and none of them have a service contract. Each receives a letter of engagement indicating that their initial term of appointment will be three years.

With one exception, Non-executive Directors do not receive any other benefit. Trevor Lewis joined the Board in 1990 and was entitled to participate in the Company's private medical insurance arrangements and the pension plan. This provided for a pension based on his final basic fee (including that received as Chairman of Bradford & Bingley Pensions Limited) at an accrual rate of one-thirtieth for each year of pensionable service subject to the Inland Revenue earnings cap. He contributes 5% of his fee to the plan. Trevor Lewis retired from the Board on the 31 December 2003. These pension arrangements do not apply to any Non-executive Director who joined the Board after 1990.

Non-executive directorships

Executive Directors who hold non-executive directorships in other companies are permitted to retain their earnings from these posts.

Performance graph

In accordance with the Directors' Remuneration Report Regulations 2002 ('the Regulations'), Fig. 2 shows Bradford & Bingley's TSR compared with the companies comprising the FTSE 100 for the period from flotation on 4 December 2000 to 31 December 2003. Whilst the FTSE 100 Return Index (of which Bradford & Bingley is a constituent member) has been selected for the purposes of the Regulations to assist shareholders with inter-company comparison, the Board considers the comparator group used for the PSP (described on page 33) to be a more appropriate competitive performance measure for determining the remuneration of the executive population and has therefore included an additional graph (Fig. 3).

Compliance

This report describes the design and structure of our remuneration policies and the tables following show how these have been applied to each individual Director in the year under review. These tables (on pages 36 to 40) have been audited in compliance with the Directors' Remuneration Report Regulations 2002.

We also confirm that the Company complies with the Combined Code ('the Code') appended to the Listing Rules of the UK Listing Authority issued in June 1998 and with section 1B of the Code's provisions on Directors' remuneration and Schedule B to the Code in respect of the content of the Directors' Remuneration Report.

Fig.2 – Historical TSR Performance
Growth in the value of a hypothetical £100 holding over period since listing
FTSE 100 comparison based on spot values

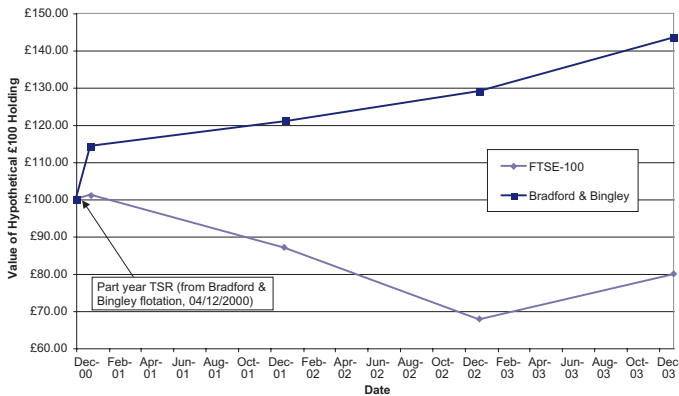
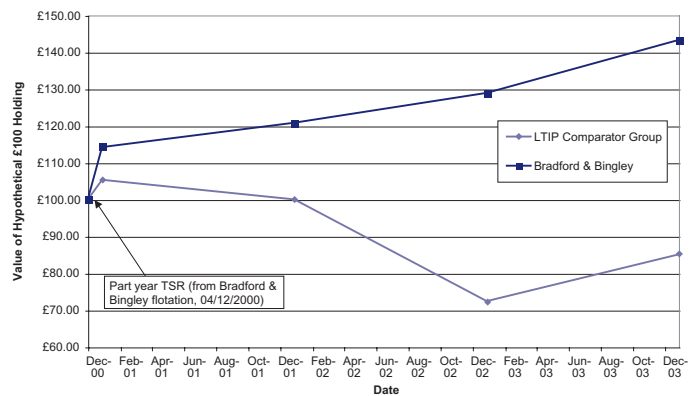


Fig.3 – Historical TSR Performance
Growth in the value of a hypothetical £100 holding over period since listing
LTIP comparator group comparison based on spot values



36 Bradford & Bingley plcAnnual Report & Accounts
for the year ended 31 December 2003

Directors' remuneration report

Directors' emoluments for the year ended 31 December 2003

Executive	Salary/fees	Benefits	Short-term performance remuneration	Total emoluments 2003	Total emoluments 2002
	£	£	£	£	£
Christopher Rodrigues	495,000	26,310	250,000	771,310	771,850
Steven Crawshaw	252,500	14,645	156,000	423,145	369,208
Keith Greenough (retired 31 December 2002)	–	–	–	–	275,016
Kevin McGuinness (retired 28 February 2002)	–	–	–	–	35,058
Rosemary Thorne	309,375	24,891	128,000	462,266	482,286
Ian Darby (appointed 8 August 2003)	91,505	5,626	29,441	126,572	–
Robert Dickie (appointed 8 August 2003)	98,468	5,606	49,333	153,407	–
Total	1,246,848	77,078	612,774	1,936,700	1,933,418

Non-executive	Fees	Benefits	Total emoluments 2003	Total emoluments 2002
	£	£	£	£
Rod Kent (appointed 24 September 2002)	201,667	–	201,667	34,115
Lindsay Mackinlay (retired 31 October 2002)	–	–	–	108,333
Ian Cheshire (appointed 8 August 2003)	16,782	–	16,782	–
Nicholas Cosh	44,000	–	44,000	37,500
Diana Courtney (retired 30 April 2003)	12,333	–	12,333	37,500
George Cox	39,833	–	39,833	32,500
Peter Flesher (retired 28 February 2002)	–	–	–	8,163
Trevor Lewis (retired 31 December 2003)	83,333	930	84,263	80,689
Louise Patten (appointed 17 December 2003)	1,798	–	1,798	–
Mark Smith (retired 17 December 2003)	43,375	–	43,375	42,500
Stephen Webster (appointed 1 May 2003)	32,708	–	32,708	–
Total	475,829	930	476,759	381,300

	Salary/fees	Benefits	Short-term performance remuneration	Total emoluments 2003	Total emoluments 2002
	£	£	£	£	£
Total Directors' emoluments	1,722,677	78,008	612,774	2,413,459	2,314,718

Notes

Short-term performance remuneration shown above reflects amounts payable in respect of 2003 performance. Taxable benefits received by Directors consist principally of the provision of a company car; health benefits and housing allowance as appropriate.

37 Bradford & Bingley plcAnnual Report & Accounts
for the year ended 31 December 2003

Directors' pensions

Directors' accrued pension entitlements
(£000)

	Age as at 31 December 2003	Accrued Pension Entitlement 31 December 2003	Change in Accrued Benefit during 2003	Transfer Value as at 31 December 2003	Transfer Value as at 31 December 2002	Change in Transfer Value during 2003	Transfer Value of increase in accrued pension	Company's pension contribution 2003
Executive								
Christopher Rodrigues	54	109	18	1,633	1,239	394	258	19
Steven Crawshaw	42	33	10	279	179	100	76	19
Rosemary Thorne	51	39	11	516	339	177	137	19
Ian Darby (appointed 8 August 2003)	40	20	7	157	91	66	53	19
Robert Dickie (appointed 8 August 2003)	44	6	6	56	–	56	56	13
Non-executive								
Trevor Lewis (retired 31 December 2003)	67	44	5	675	655	20	(45)	17

Notes

Pension disclosures are reported above in accordance with Directors' Remuneration Report Regulations 2002. The transfer values reported above reflect the capital value of the relevant pension assessed under market conditions at the end of 2003 and 2002 respectively. The increase in accrued pension entitlement represents the change in the annual pension to which each Director is entitled as a result of changes in pensionable earnings, excluding inflation, and increases in pensionable service.

The amounts in respect of the Company's pension contribution for Ian Darby and Robert Dickie reflect entitlements, not only for their time as a Director, but for the whole of 2003.

38 Bradford & Bingley plcAnnual Report & Accounts
for the year ended 31 December 2003

Directors' share option grants

	At 31 Dec 2002	Granted in year	Exercised	Lapsed	At 31 Dec 2003	Exercise price (p)	Earliest exercise date	Last exercise date
Christopher Rodrigues								
Executive share option scheme								
	130,184	–	–	–	130,184	291.83	Mar 04	Mar 11
	126,749	–	–	–	126,749	315.58	Mar 05	Mar 12
	–	170,412	–	–	170,412	281.67	Feb 06	Feb 13
Savings related share option scheme								
	4,843	–	–	–	4,843	200.00	Mar 04	Aug 04
Steven Crawshaw								
Executive share option scheme								
Prior to appt as Executive Director	48,863	–	–	–	48,863	291.83	Mar 04	Mar 11
Post appt as Executive Director	60,205	–	–	–	60,205	315.58	Mar 05	Mar 12
	–	81,655	–	–	81,655	281.67	Feb 06	Feb 13
Savings related share option scheme								
Prior to appt. as Executive Director	8,437	–	–	–	8,437	200.00	Mar 06	Aug 06
Ian Darby								
Executive share option scheme								
Prior to appt as Executive Director	45,617	–	–	–	45,617	291.83	Mar 04	Mar 11
	55,452	–	–	–	55,452	315.58	Mar 05	Mar 12
	–	71,005	–	–	71,005	281.67	Feb 06	Feb 13
Savings related share option scheme								
Prior to appt as Executive Director	4,843	–	–	–	4,843	200.00	Mar 04	Aug 04
Robert Dickie								
Executive share option scheme								
Prior to appt as Executive Director	–	81,655	–	–	81,655	281.67	Feb 06	Feb 13
Savings related share option scheme								
Prior to appt as Executive Director	–	4,223	–	–	4,223	223.74	May 06	Oct 06
Rosemary Thorne								
Executive share option scheme								
	90,357	–	–	–	90,357	291.83	Mar 04	Mar 11
	87,140	–	–	–	87,140	315.58	Mar 05	Mar 12
	–	106,507	–	–	106,507	281.67	Feb 06	Feb 13
Savings related share option scheme								
	2,770	–	–	–	2,770	200.00	Mar 04	Aug 04
	1,609	–	–	–	1,609	252.67	May 05	Oct 05

Notes

The exercises of share options are subject to a performance condition related to the improvement in the Company's earnings per share. The aggregate value of gains on options made by Executive Directors in 2003 was £Nil (2002: £Nil).

39 Bradford & Bingley plcAnnual Report & Accounts
for the year ended 31 December 2003

Directors' performance share plan awards

	At 31 Dec 2002	Awarded in year	At 31 Dec 2003	Award value (p) per share	Performance period ends	Vesting date	Performance conditions
Christopher Rodrigues	103,983	–	103,983	291.83	Dec 03	Mar 04	Standard
	101,399	–	101,399	315.58	Dec 04	Mar 05	Standard
	45,685	–	45,685	332.00	Dec 04	Mar 05	Standard
	147,086	–	147,086	332.00	Dec 04	Mar 05	Stretch
	–	170,412	170,412	281.67	Dec 05	Feb 06	Standard
	–	170,412	170,412	281.67	Dec 05	Feb 06	Stretch
Steven Crawshaw							
Prior to appt. as Executive Director	39,029	–	39,029	291.83	Dec 03	Mar 04	Standard
Post appt. as Executive Director	48,164	–	48,164	315.58	Dec 04	Mar 05	Standard
	22,303	–	22,303	332.00	Dec 04	Mar 05	Standard
	70,468	–	70,468	332.00	Dec 04	Mar 05	Stretch
	–	81,656	81,656	281.67	Dec 05	Feb 06	Standard
	–	81,655	81,655	281.67	Dec 05	Feb 06	Stretch
Ian Darby							
Prior to appt. as Executive Director	36,436	–	36,436	291.83	Dec 03	Mar 04	Standard
	44,362	–	44,362	315.58	Dec 04	Mar 05	Standard
	16,975	–	16,975	332.00	Dec 04	Mar 05	Standard
	61,338	–	61,338	332.00	Dec 04	Mar 05	Stretch
	–	71,005	71,005	281.67	Dec 05	Feb 06	Standard
	–	71,005	71,005	281.67	Dec 05	Feb 06	Stretch
Robert Dickie							
Prior to appt. as Executive Director	–	81,656	81,656	281.67	Dec 05	Feb 06	Standard
	–	81,655	81,655	281.67	Dec 05	Feb 06	Stretch
Rosemary Thorne							
	72,172	–	72,172	291.83	Dec 03	Mar 04	Standard
	69,712	–	69,712	315.58	Dec 04	Mar 05	Standard
	22,372	–	22,372	332.00	Dec 04	Mar 05	Standard
	92,085	–	92,085	332.00	Dec 04	Mar 05	Stretch
	–	106,508	106,508	281.67	Dec 05	Feb 06	Standard
	–	106,507	106,507	281.67	Dec 05	Feb 06	Stretch

Notes

Performance Share Plan awards are subject to the achievement of a performance criterion which measures the Company's TSR against a peer group of companies. For description see the Directors' Remuneration Report.

Directors' 1998 long-term incentive plan - share award*

	At 31 Dec 2002	Granted in year	Exercised	Lapsed	At 31 Dec 2003	Award value (p) per share	Exercise Date	Last exercise date
Christopher Rodrigues								
Exercisable	81,811	–	–	–	81,811	249.35	Dec-00	Dec-05
Steven Crawshaw**								
Exercisable	9,647	–	–	–	9,647	249.35	Dec-00	Dec-05
Rosemary Thorne								
Exercisable	15,147	–	–	–	15,147	249.35	Dec-00	Dec-05

Notes

*No awards have been made under this plan since December 2000.

**Prior to appointment as Executive Director.

Long-Term Incentive Plan participants were entitled to choose cash or shares.

Where shares were chosen, nil cost options were granted. However, in order to receive these options participants sacrificed cash entitlements equivalent to 249.35p per share.

Notes to Directors' Remuneration Report tables

The performance period for the 2001 allocation made under the 2000 Performance Share Plan ended on the 31st December 2003. Full details concerning any shares released to Executive Directors in 2004 will be contained in the Annual Report & Accounts for 2004. Additionally, under the 2001 share option award, the EPS performance measure was met and as such the options will become exercisable from 8 March 2004.

On 31 December 2003 the closing market price of ordinary shares in Bradford & Bingley plc was 305p and the range during the year to 31 December 2003 was 245p to 356.5p

Approved by the Board on 16 February 2004 and signed on its behalf by:

George Cox

Chairman of the Remuneration Committee