

Governance

Corporate social responsibility

Bradford & Bingley has continued to develop its Corporate Social Responsibility ('CSR') programme during 2007, with particular focus on improving our environmental performance.

Bradford & Bingley became a CarbonNeutral® company on 1 January 2007, offsetting all our carbon dioxide ('CO₂') emissions.

In addition to offsetting, we have worked hard to reduce our total level of emissions and the Company now has a carbon footprint of under 0.5 tonnes of CO₂ per employee.

Bradford & Bingley believes in placing CSR at the heart of our business activities. We aim to conduct our business in a socially responsible manner in respect of the environment, staff, customers, shareholders and local communities.

We continue to structure our CSR reporting along the FORGE framework for CSR Management and Reporting for the Financial Services Sector. The FORGE Group is a consortium of financial institutions and involves the British Bankers' Association and the Association of British Insurers (reference – www.abi.org.uk/forge). Our CSR report follows the four major themes identified by FORGE as being those most relevant to financial services organisations – Marketplace, Workplace, Community and Environment.

Our CSR report, which is published separately, was independently verified by Bureau Veritas.

Bradford & Bingley has published a stand alone CSR report since 2003 and each year we have responded to feedback on the previous year's report by including more information on Key Performance Indicators ('KPIs') and targets for our CSR programme.

Bradford & Bingley is a national member of Business in the Community ('BITC'), and the London Benchmarking Group.

Bradford & Bingley continues to be a member of the FTSE4Good Index of socially responsible companies and participates in the BITC Corporate Responsibility Index. In 2007 Bradford & Bingley was proud to be named as one of the top 100 'Companies That Count' in the Corporate Responsibility Index.

Bradford & Bingley was awarded Gold status in the BITC Corporate Responsibility Index and was awarded Platinum status in the BITC Community Index and BITC Environment Index, the highest grade possible.

We were also proud to be awarded a BITC Silver Big Tick for our ten year partnership with Shelter, and a BITC Big Tick in the EDF Energy Environmental Leadership Award category.

Ian Anderson, Group HR Director, took over executive responsibility for the Group's CSR programme in 2007.

Doing the right thing in the marketplace Lending

Bradford & Bingley's residential lending activity continues to focus on a range of niche areas providing mortgages for individuals who need a more specialist product than those available in the mainstream mortgage market. The three main products are buy-to-let, self-cert and lifetime mortgages.

Buy-to-let

Bradford & Bingley is the market leader in buy-to-let with the largest buy-to-let customer base in the UK, accounting for around 20% of the market.

All of our buy-to-let products offer flexible payment features as an integral part of the mortgage. This enables people to overpay or underpay their mortgage, or even take a payment holiday. This is part of our commitment to understanding our customer needs and responding to changing lifestyles and employment patterns.

Bradford & Bingley's intermediary brand, Mortgage Express, also uses its position as a market leader to publish authoritative reports on confidence in the buy-to-let market and economic outlook reports from its chief economist. Both of these reports are published on our website, www.mortgageexpress.co.uk.

We can see that buy-to-let has increased the availability of rental housing stock in the UK, making it easier for people to find affordable decent housing. Bradford & Bingley's product range has been at the forefront of buy-to-let and we intend to keep our market leading position.

Self-cert

Bradford & Bingley's self-cert product range aims to help customers who are finding that their employment patterns are becoming increasingly more diverse and therefore do not fit the requirements of most mainstream high street lenders.

Self-employed customers make up almost 10% of the working population (source: Office of National Statistics) where multiple jobs or income sources and seasonal or short term contracts are common. Part time workers now account for 25% of the total labour force (source: Labour Force Survey).

It is these customers that our self-cert product range is designed to help. With the valuable underwriting experience that we have gained

in specialist lending markets, we are able to work with our customers to decide how much they can afford to borrow.

Lifetime

Lifetime mortgages enable homeowners over the age of 60 to release some of the equity they have built up in their properties to enhance their lifestyle in retirement.

Bradford & Bingley is one of the leading lenders in the lifetime mortgage market, sold through our Mortgage Express brand.

Lifetime mortgages are regulated by the FSA and Bradford & Bingley continues to be a member of Safe Home Income Plans ('SHIP') through the Mortgage Express brand.

SHIP is the UK's leading professional body for equity release providers. Launched in 1991, it is dedicated entirely to the protection of borrowers and promotion of safe home income and equity release plans.

In addition to these specialist loans, Bradford & Bingley also has a portfolio of traditional residential mortgages, which are secured on UK residential property and sold through our branch network.

Savings

Bradford & Bingley's branch and third party network offers a very competitive range of deposit based savings and investment products, supported by our online, postal and telephone channels.

In 2007, Bradford & Bingley partnered with the Wallace & Gromit's Children's Foundation to utilise one of their major new characters, Shaun the Sheep, in a range of product initiatives.

The Wallace & Gromit's Children's Foundation is a national charity raising funds to improve the quality of life for children in hospitals and hospices throughout the UK.



The Foundation funds an innovative range of projects to ensure these children have a better, brighter future. Created in 2003, the Foundation has funded projects in 23 hospitals and hospices.

To raise funds for the Foundation, Bradford & Bingley ran a national Shaun the Sheep colouring competition for which Bradford & Bingley made a donation for each entry received. Our branch network continued to sell pin badges and the whole Group took part in the Wallace & Gromit Wrong Trousers Day in June. In 2007, Bradford & Bingley staff and customers raised over £15,000 for the Foundation.

As well as selling mortgages and growing savings balances, the branch network also maintains and develops relationships with our customers. In order to do that, Bradford & Bingley offers a wide choice of highly competitive products from a range of providers including general insurance, wealth and personal loan products, which are provided by third parties.

Investment guidelines

As a primarily residential lender we lend to individuals rather than businesses, so we do not incorporate ethical or environmental criteria over and above legal requirements. For example, not lending to bankrupts nor lending on properties without planning permission or clear legal title.

We seek to be a responsible lender and ensure our credit checking identifies individuals who have the ability to repay the loans and not get into repayment difficulties. Our mortgage products do not offer loan values based on unreasonable multiples of salary.

Doing the right thing in the workplace

Bradford & Bingley's employment practices continue to reflect the human rights standards enshrined in the United Nations Universal Declaration of Human Rights and the International Labour Organisation Conventions. These cover such items as minimum working age, working hours, health and safety and discrimination.

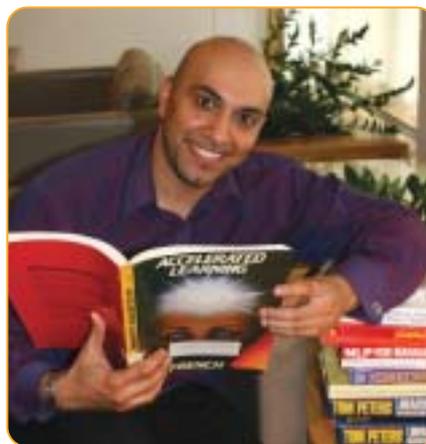
During 2007, Bradford & Bingley continued to roll out its culture and values programme. This nurtures a culture of working together across departments and functions within the Company, with a focus on reaching every member of staff as well as obtaining objective feedback across the Group.

The staff satisfaction survey ran quarterly throughout 2007 and, in addition to reporting on the Group level results, managers received feedback on their teams.

We have also incorporated a score for the 'feel-good' factor, incorporating such questions as how likely staff would be to recommend Bradford & Bingley as a place to work and whether they feel the Company has changed for the better in the last twelve months. The feel-good factor has remained constant at 79% this year, which demonstrates that the culture and values programme has remained at the forefront of people's behaviours. This is a significant increase on the feel-good factor of 58% in 2005 before the culture and values programme was rolled out (2006: 78%).

The response rate for the survey continues to increase and is now up to 82% (2006: 72%).

Bradford & Bingley has an in-house training facility, The Bradford & Bingley Academy, designed to proactively work with people in both career and personal development.



In 2007, the Academy delivered the majority of employee training, including two major courses for managers. Team managers within operations functions and branch managers have been able to attend a two day training

Analysis of workforce by percentage

	2007	2006	2005	2004	2003
Women (overall)	66%	66%	65%	65%	61%
Women (management)	47%	47%	45%	44%	36%
Ethnic minorities (overall)*	10%	10%	10%	11%	13%
Ethnic minorities (management)*	7%	5%	5%	7%	9%
Value of training	£2.4m	£3.3m	£1.5m	£1.6m	£7.2m
Value of training per staff member	£746	£1,021	£492	£501	£929
Percentage of staff represented by recognised trade union ('UBAC')	45%	45%	52%	46%	40%
Percentage of staff participating in Sharesave scheme	37%	35%	39%	52%	52%

* currently 28% of staff records do not have an ethnic origin recorded. Figures for the 72% of staff records with ethnic origin recorded have been grossed up to represent 100% of staff for comparison purposes.

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Wallace & Gromit character Shaun the Sheep starred in a range of Bradford & Bingley product initiatives in conjunction with the Wallace & Gromit Children's Foundation which is a national charity raising funds to improve the quality of life for children in hospitals and hospices throughout the UK.

Below:

Umran Amin, Bradford & Bingley's Learning Manager, shows some of the learning materials used in the Bradford & Bingley Academy.

module on the manager as communicator to enhance their communication and mentoring skills. Branch managers have also benefited from a two day training module on the importance of good customer service and ways to improve delivery.

Bradford & Bingley operates in different communities across the UK and we understand the benefits of diversity to our business.

Our workforce should reflect the communities in which we live and work, and our employment practices help us to deliver on this goal. We promote diversity and equality across all aspects of working life and we believe it is important to share best practice and success. We provide the opportunity for all staff to develop their skills and knowledge and to enjoy fulfilling careers.

Bradford & Bingley is a member of the Employers' Forum on Disability, the Employers' Forum on Age and Opportunity Now. These organisations, amongst others, look at ways to promote awareness of disability, age, race and gender within the workplace.

Bradford & Bingley recognises that a diverse workforce gives the Company a wider range of experiences and helps us to respond better to the needs of our customer base. We take our commitment to diversity seriously and have a named Board Director, Robert Dickie, responsible for diversity issues and reporting.

Women occupy 47% of management roles (2006: 47%) and 26% of senior management roles (2006: 35%) within the Group.

Ethnic minorities occupy 7% of management roles (2006: 5%) and 5% of senior management roles (2006: 6%). In 2007, 10% (2006: 10%) of the total workforce are from ethnic minorities, a figure that is representative of the UK workforce as a whole.

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Corporate social responsibility continued



Bradford & Bingley's main partner in incorporating diversity across the business is Quest for Economic Development ('QED') which is a Bradford-based organisation set up to support the South Asian community within the UK. However, since its inception in 1990, QED has worked with many FTSE 100 companies and government departments to promote the benefits of diversity within the workplace.

We are also concerned about the health and wellbeing of our employees, recognising that this is vital to our business. We have comprehensive policies agreed with the recognised staff union ('UBAC') on Flexible Working and Fair Treatment at Work. We continue to offer a confidential counselling service, provided free of charge to employees and their families, to enable discussion of any issue affecting their lives, at work or at home.

Our Flexible Working Policy is available to all staff, not just those with children under six or disabled children under eighteen, which is the legal requirement. For Bradford & Bingley, flexible working incorporates a wide variety of working practices and can be any working pattern other than the normal one.

Bradford & Bingley was awarded the 'two ticks' symbol by the Employment Service in June 1995. This recognises our commitment to people with disabilities. Using the 'two ticks' symbol means we are working towards the guidelines in the Employment Service Code of Good Practice on the Employment of Disabled People.

The symbol is used in our job advertisements and application forms to make it clear to potential applicants with a disability that we welcome their application on the basis of their abilities and will interview all applicants with a disability who meet the minimum criteria for the role.

We have induction loops in all branches, and have improved wheelchair access and introduced power assisted doors across the branch network. The Royal National Institute for the Deaf ('RNID') provide interpretation services for our customers and we provide sign language, lip speaking, deafblind manual interpretation, speech to text interpretation and a notetaking service. In addition, customers can access our products via RNID's Typetalk service.

Bradford & Bingley is also committed to ensuring accessibility across our product range and we continue to provide customers with literature in different formats, such as Braille, audio and large print. Our corporate and customer-facing websites have been audited by the Royal National Institute for the Blind ('RNIB') to ensure that they are as user-friendly as possible.

Bradford & Bingley has a legal and moral responsibility for the health and safety of its staff and members of the public where they are affected by its business.

We review our Health & Safety Policy Statement on an annual basis at Board level and the policy is updated every January. A full copy is issued to every branch and department.

Robert Dickie, Group Operations Director, is the nominated member of the Board of Directors responsible for Health & Safety and chairs the Group Health & Safety Committee.

In addition, Bradford & Bingley operates a dedicated Health & Safety Advice Line for any member of staff to request information or advice from the Health & Safety Team. This is accessible by telephone, fax or email.

One of the most significant risks associated with the Group's operations is the safety and health risks associated with bank raids. Thankfully, these events are rare and have reduced over the past decade. In 1998, Bradford & Bingley suffered 38 raids but in 2007, we suffered 10.

One of the main reasons for this decrease is the Group's ongoing work on improving its security measures. The Group is a member of the Raid-control Trust (www.raid-control.org), a crime reduction initiative that aims to raise security standards in retail premises, thereby reducing the potential for commercial robbery and creating safer working environments.

In 2007, we invested in new security systems in all branches to bring them up to the Raid-control standard, a significant commitment by the Group.

In 2006, we reported on the work done by Bradford & Bingley to develop an action plan on managing the health effects of work-related stress. We are pleased to report that in 2007, we have seen significant reductions in the levels of stress-related absence.

Stress-related absence at Bradford & Bingley is in line with industry levels but the financial sector has been identified by the Health & Safety Executive ('HSE') as an action area for stress management.

Our bespoke Stress Management Plan combines risk assessment techniques with information and advice for managers and staff and requires managers to update all risk assessments and action plans on at least, an annual basis.

In 2007, we saw stress-related absence fall by 48% to 480 hours lost per 100,000 hours worked (2006: 916.6 hours). The work done by our Health & Safety department on stress management has been recognised by the HSE as setting best practice in this area and the Group is regularly invited to present a case study at HSE 'Healthy Workplace Solutions' workshops across the UK.

Top, left page:

Bradford & Bingley CEO, Steven Crawshaw, led a national visit to Bradford as part of HRH The Prince of Wales Seeing is Believing Programme.

Below:

Bradford & Bingley was awarded the Silver Big Tick in Business in the Community's Awards for Excellence for its ten year partnership with Shelter, the national homelessness charity.

One of the challenges in operating a national branch network is ensuring that health and safety is managed consistently across all of our branches. This is further complicated by the fact that the local authority for each branch is the 'enforcing authority' for health and safety legislation rather than any national organisation.

In recognition of this, the Group signed a Lead Authority Partnership with Bradford District Council in September 2006. The Lead Authority Partnership Scheme ('LAPS') sets out to raise the standard of health and safety management in a business by partnering with one local authority. That local authority then becomes the focal point of liaison on health and safety issues between other local authorities, the Health & Safety Executive and Bradford & Bingley.

In 2007, our Lead Authority Partnership with Bradford District Council enabled us to apply consistent interpretations of health and safety policy across our branch network. This led to increased compliance with health and safety as measured by our internal audit teams.

We continue to encourage employees to benefit from the Group's success through share schemes. Currently, 37% of employees hold at least one Sharesave account (2006: 35%), enabling them to save over a period of years with the prospect of buying Bradford & Bingley shares at a discount.

Doing the right thing in the community

During 2007, Bradford & Bingley grew its community programme by 10% to £1,850,616 (2006: £1,687,011) as we continued our investment into the communities in which we live and work. This is the seventh consecutive year we have invested over £1 million and the second time we have invested in excess of £1.5 million.

We believe it is important to have a community programme that is relevant to Bradford & Bingley as a business. Preventing and alleviating the causes of homelessness continue to be our main corporate area of support. We have used the increase in our community programme this year to launch a number of schemes supporting personal finance education, both in schools and with parents, as a second area of corporate support.

Bradford & Bingley also invests heavily in the West Yorkshire region, specifically in Bradford and the Aire Valley where its Head Office is located. We support a wide range of community projects in West Yorkshire, including a number of grass roots and community sports projects run by the major professional sports clubs in the area.

Supporting our staff is also important to us and so we have two schemes that are available to support their choice of charities – matched fundraising and matched payroll giving.

Preventing and alleviating the causes of homelessness

We were delighted that in 2007, Bradford & Bingley was recognised in the Business in the Community Awards for Excellence, with the award of a Silver Big Tick. This marked a decade of working with Shelter. The Silver Big Tick was a special Jubilee Award made by BITC to mark the 25th anniversary of its formation.



Since 1996, Bradford & Bingley has worked with Shelter, the UK's national campaigning charity for homeless and badly housed people. Shelter provides free, professional and independent advice, advocacy and support to over 100,000 people per year.

Business Action on Homelessness ('BAOH') is BITC's flagship programme relating to homelessness. BAOH is a unique partnership between leading businesses, homelessness agencies and the government, which aims to break the vicious cycle of no job, no home, by helping homeless people to find employment and achieve independent living. Bradford & Bingley is a national member of BAOH and Steven Crawshaw, our Chief Executive, sits on the BAOH executive forum.

In 2007, Bradford & Bingley agreed to completely fund the launch of BAOH in Bradford for a minimum of three years and we have also appointed a Programme Manager who is based in our Head Office in Crossflatts.

Personal Finance Education

Bradford & Bingley is working with the UK Career Academy Foundation, who lead and support a national movement of employers, schools and colleges, working to raise the aspirations of 16 to 19 year-olds who are considering a career in finance.

Bradford & Bingley is supporting the Foundation in two secondary schools in Bradford (Buttershaw High School and Dixons Technology College) who launched the Career Academy course in September 2007.

Bradford & Bingley staff participate in two ways: some of our senior managers have been into the schools to deliver lectures or take

class exercises; and other managers have agreed to become a mentor to a student.

Bradford & Bingley is also working with Care for the Family ('CFF'), a national charity which aims to promote strong family life. Together we have developed a course called Quidz In which is aimed at parents who want to learn how to talk about personal finance with their children.

Supporting charities and organisations throughout West Yorkshire

Each year, staff at our Head Office sites in Bingley and Crossflatts vote on a choice of charity for the year. This year, the staff voted for Yorkshire Air Ambulance and monthly dress down days and other charitable activities have helped to raise over £6,000 for the charity.

In June, Steven Crawshaw led a national visit to Bradford with HRH The Prince of Wales' Seeing is Believing Programme which focused on Bradford's regeneration plans. Chief executives and senior managers of fourteen national companies came to Bradford to see how private, public and voluntary sectors can work together to support and deliver a regeneration agenda.

Bradford & Bingley continues to work with local primary and secondary schools, during 2007 we participated in the Young Enterprise Scheme with Bingley Grammar School. The Young Enterprise Company Programme is run over an academic year and gives students practical experience of business and enterprise by setting up and running their own business. Bradford & Bingley staff participate by becoming business mentors who work with the students in a weekly meeting.

The Community Action Team, which consists of staff volunteers from across all functions of the business and a representative from the Community Affairs team, has used funds to specifically support their local communities. They meet monthly to consider requests from local charities and community groups and make small grants averaging an approximate £650. During 2007, 40 charities received funding (in the Bingley area).

Bradford & Bingley continues to encourage employee involvement, in particular, by supporting their fundraising activities.

All employees are able to apply for funds to match their fundraising efforts for charity in a scheme which matches the first £250 of funds raised per employee. We saw a large increase of 42% in matching during the year totalling £32,680 (2006: £23,084). We also saw an increase in the number of staff

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Corporate social responsibility continued

receiving matching, up 36% to 144 (2006: 106). This increase has been driven by increased internal promotion, including presentations to all new starters in the Group's induction programme.

Bradford & Bingley also matches employee donations through the payroll-giving programme, Give As You Earn. We continued to promote the scheme to new and existing employees via online and internal promotions. 7.8% of our workforce now donate via Give As You Earn (2006: 8.5%), although, we have seen average monthly amounts donated rise to £26.90 (2006: £23.84). As a Group, Bradford & Bingley matched £81,331 of employee donations (2006: £78,675).

Doing the right thing in the environment

Bradford & Bingley has been committed to reducing its environmental impact for a number of years now. On 1 January 2007 the whole of the Bradford & Bingley Group became CarbonNeutral®.



In addition to offsetting our carbon emissions, we have also committed to reducing total carbon emissions across the business. The electricity contract for our Head Office sites in Bingley and Crossflatts, and our entire branch network is for 100% renewable energy, thus reducing our ongoing carbon emissions by 70%.

We continue to develop our Environmental Key Performance Indicators and Targets and have based those indicators on the Reporting Guidelines for UK Business published by the Department of Environment, Food & Rural Affairs (2005).

To demonstrate our commitment to disclosure of our CSR programme, we publish our confidential feedback from the BITC Corporate Responsibility Index, BITC Community Index and the BITC Environment Index on our website.

Bradford & Bingley produces a separate CSR Report which is available on our website, www.bbg.co.uk or on request to csr@bbg.co.uk. Alternatively, please write to CSR Department, Bradford & Bingley, PO Box 2, Bingley BD16 2LW to request a printed copy.

This is a summary of the full CSR Report. For more details please refer to the full report which includes a much larger range of key performance indicators.

Community investment

	2007	2006	2005	2004	2003
Total Community Investment Programme	£1,850,616	£1,687,011	£1,320,612	£1,295,639	£1,024,077
Total Community Investment Programme as a percentage of underlying pre-tax profit	0.53%	0.50%	0.43%	0.46%	0.39%
Total Community Investment Programme spend per employee	£575	£512	£433	£406	£132
Ranking in the BITC Community Index*	Platinum	-	-	-	-
Percentage score in the BITC Community Index	98%	-	-	-	-
Ranking in the BITC Corporate Responsibility Index*	Gold	-	-	-	-
Percentage score in the BITC Corporate Responsibility Index	94%	89%	84%	69%	58%

* BITC introduced a ranking system in 2007 of Platinum, Gold, Silver or Bronze for scores above 70% in their indices.

Energy consumption

	2007	2006	2005	2004	2003
Tonnes CO2 generated (Branches)*	1,428 tonnes	6,640 tonnes	9,081 tonnes	9,190 tonnes	14,021 tonnes
Tonnes CO2 generated per employee*	0.44 tonnes	2.06 tonnes	2.98 tonnes	2.88 tonnes	1.81 tonnes
Water Usage (Branches)	40,489 m³	38,977 m ³	43,292 m ³	46,174 m ³	67,054 m ³
Water Usage per employee	13m³	12m ³	14m ³	14 m ³	9 m ³
Waste	255 tonnes	279 tonnes	494 tonnes	n/a	n/a
Percentage waste recycled	79%	66%	62%	n/a	n/a
Ranking in the BITC Environment Index **	Platinum	-	-	-	-
Percentage Score in the BITC Environment Index	95%	87%	77%	62%	61%

* figure calculated using conversion tables supplied by the Department of Environment, Food & Rural Affairs.

** BITC introduced a ranking system in 2007 of Platinum, Gold, Silver or Bronze for scores above 70% in their indices.

Governance

Directors' remuneration report

The following report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ('Regulations', now contained in Schedule 7A to the Companies Act 1985) and approved by the Board for agreement with the shareholders.

The Remuneration Committee

The role of the Remuneration Committee ('Committee') is to assist the Board in the development and application of remuneration policy for the Chairman, the Group Chief Executive and Executive Directors. The terms of reference of the Committee are available on www.bbg.co.uk.

Committee membership

The Committee is composed entirely of independent Non-executive Directors as detailed below:

Louise Patten (Chairman from June 2007)	All year
Ian Cheshire	All year
Rod Kent	All year
George Cox (Chairman to June 2007)	All year

Louise Patten replaced George Cox as Chairman of the Committee. The Group Chief Executive, Steven Crawshaw, is normally invited to attend Committee meetings for those items other than his own remuneration arrangements. In addition, the Group HR Director may also provide advice to the Committee.

At these meetings, amongst other items, the Committee considered:

- the remuneration levels for Executive Directors;
- the efficacy and competitiveness of the Group's total reward package;
- the structure of the executive pension arrangements and life assurance provision; and
- the appointment of Remuneration Committee advisers.

Each year, the Committee considers the Group's remuneration policy in the context of market and best practice. The Committee regularly reviews arrangements and incentives to ensure that they remain effective and appropriate to the Group's circumstances and prospects and to monitor the level of potential awards.

Advisers

During the year, following an independent selection process, PricewaterhouseCoopers LLP ('PwC') were appointed by the Remuneration Committee as independent adviser to provide external advice on market data, structure and design, and also to provide services to the Group on employee reward. In addition, PwC provides miscellaneous tax services to the Group. Prior to the appointment

The committee met four times during 2007 with each member attending as follows:

Name	Number of meetings held whilst a Committee member	Number of meetings attended by Committee member
Louise Patten	4	4
Ian Cheshire	4	3
Rod Kent	4	4
George Cox	4	4

of PwC, Towers Perrin provided advice to the committee. Mercer are appointed as actuaries to the Company's pension scheme. Watson Wyatt Consultants provide advice to the Committee on pension issues.

Remuneration policy

The overall aim of the Committee is to ensure that the Group's remuneration policies attract, retain and motivate the Executive Directors. The Committee considers total remuneration to be the true measure of reward and considers the level and impact of the package in its totality as well as individual elements. Total remuneration for Executive Directors is geared heavily towards performance.

The main remuneration principles are to:

- provide competitive total remuneration for on-target performance, with the potential to achieve outstanding total remuneration for superior performance;
- provide Executive Directors with competitive levels of total remuneration with respect to comparable companies in the UK retail financial services sector; and
- provide share-based incentive plans that facilitate the building of a significant stake in the Company by Executive Directors and keep a balance between short and long-term focus.

As Bradford & Bingley have few direct comparators, the Remuneration Committee considers a range of data sources in forming a judgement on competitive levels of total remuneration. The primary reference points are FTSE 100 retail financial services companies that predominantly operate in the UK market. The Committee takes into account the size of Bradford & Bingley when determining appropriate positioning against these benchmarks.

During the year, the Remuneration Committee conducted a review of remuneration in order to ensure consistency with their policy. The review identified a significant shortfall in total remuneration levels against the desired market position and identified that changes were necessary to make the package more closely aligned with the Group's business strategy.

As a result, the Remuneration Committee agreed to introduce a new one-off incentive plan, the Executive Incentive Scheme ('EIS'), payable entirely in shares and restricted for three years. This was intended as an interim solution for 2007 only to ensure competitiveness. In addition, the Committee is proposing some changes to the Executive Incentive Plan ('EIP'), to apply from 2008, in order to address the issues identified in the review for the longer term. These changes are detailed on page 35.

Remuneration for 2007

The table below summarises the remuneration elements for 2007.

Base salary

Base salaries for Executive Directors were reviewed in July. When determining the salary of the Executive Directors, the Committee takes into account:

- base salaries of comparable roles within FTSE 100 retail financial services businesses which operate predominantly in the UK;
- the performance of the Group;
- the performance of the individual Executive Director; and
- the individual Executive Director's experience and responsibilities.

Base salary is the only element of pay that is pensionable.

Executive Incentive Scheme 2007

In 2007, following a benchmarking review, it was identified that the total remuneration package was positioned significantly below market practice. The Remuneration Committee was keen to address this to ensure that the Executive Directors were retained and motivated to drive performance within the Group and assist in delivering the business strategy.

The EIS 2007, delivers an award of up to a maximum of 150% of base salary for delivering key strategic objectives and over achieving personal objectives, paid entirely in restricted shares vesting in 2011. The scheme is based on robust and genuinely stretching targets. The EIS 2007 was a one-off arrangement and will not operate in 2008.