

11. Loan impairment

Group			
	On residential mortgages £m	On commercial property and housing associations £m	Total £m
Allowances have been made for credit losses against loans and advances to customers as follows:			
At 1 January 2007	47.8	1.6	49.4
Write-offs	(23.8)	-	(23.8)
Impairment charge/(credit)	30.4	(1.5)	28.9
Discount unwind	0.4	-	0.4
	7.0	(1.5)	5.5
At 31 December 2007	54.8	0.1	54.9
The Income Statement charge/(credit) comprised			
- Impairment charge/(credit)	30.4	(1.5)	28.9
- Recoveries	(6.8)	-	(6.8)
- Discount unwind	0.4	-	0.4
Total Income Statement charge/(credit)	24.0	(1.5)	22.5
Allowances have been made for credit losses against loans and advances to customers as follows:			
At 1 January 2006	46.1	2.3	48.4
Write-offs	(13.9)	-	(13.9)
Impairment charge/(credit)	15.4	(0.7)	14.7
Discount unwind	0.2	-	0.2
	1.7	(0.7)	1.0
At 31 December 2006	47.8	1.6	49.4
The Income Statement charge/(credit) comprised			
- Impairment charge/(credit)	15.4	(0.7)	14.7
- Recoveries	(7.5)	-	(7.5)
- Discount unwind	0.2	-	0.2
Total Income Statement charge/(credit)	8.1	(0.7)	7.4
Company			
	On residential mortgages £m	On commercial property and housing associations £m	Total £m
Allowances have been made for credit losses against loans and advances to customers as follows:			
At 1 January 2007	11.4	1.6	13.0
Write-offs	(1.8)	-	(1.8)
Impairment charge/(credit)	6.0	(1.5)	4.5
	4.2	(1.5)	2.7
At 31 December 2007	15.6	0.1	15.7
The Income Statement charge/(credit) comprised			
- Impairment charge/(credit)	6.0	(1.5)	4.5
- Recoveries	(4.5)	-	(4.5)
Total Income Statement charge/(credit)	1.5	(1.5)	-
Allowances have been made for credit losses against loans and advances to customers as follows:			
At 1 January 2006	12.3	2.3	14.6
Write-offs	(5.7)	-	(5.7)
Impairment charge/(credit)	4.8	(0.7)	4.1
	(0.9)	(0.7)	(1.6)
At 31 December 2006	11.4	1.6	13.0
The Income Statement charge/(credit) comprised			
- Impairment charge/(credit)	4.8	(0.7)	4.1
- Recoveries	(5.0)	-	(5.0)
Total Income Statement credit	(0.2)	(0.7)	(0.9)

In the Balance Sheet these impairment allowances are deducted from the carrying values of the impaired assets.

Notes to the Financial Statements

11. Loan impairment continued

Further information regarding the credit quality of loans and advances to customers:

Group	At 31 December 2007			At 31 December 2006		
	On residential mortgages £m	On commercial property and housing associations £m	Total £m	On residential mortgages £m	On commercial property and housing associations £m	Total £m
Neither past due nor impaired	37,212.7	1,022.3	38,235.0	29,642.7	4,998.6	34,641.3
Past due but not impaired						
- up to 3 months	1,436.2	-	1,436.2	988.2	-	988.2
- 3 to 6 months	464.6	-	464.6	372.8	-	372.8
- 6 to 12 months	208.2	-	208.2	98.3	-	98.3
Individually impaired	155.4	-	155.4	80.5	-	80.5
	39,477.1	1,022.3	40,499.4	31,182.5	4,998.6	36,181.1
Impairment allowances	(54.8)	(0.1)	(54.9)	(47.8)	(1.6)	(49.4)
Loans and advances to customers net of impairment allowances	39,422.3	1,022.2	40,444.5	31,134.7	4,997.0	36,131.7
Impairment allowances						
- individual	20.0	-	20.0	16.9	-	16.9
- collective	34.8	0.1	34.9	30.9	1.6	32.5
Total	54.8	0.1	54.9	47.8	1.6	49.4

Company	At 31 December 2007			At 31 December 2006		
	On residential mortgages £m	On commercial property and housing associations £m	Total £m	On residential mortgages £m	On commercial property and housing associations £m	Total £m
Neither past due nor impaired	23,494.2	1,022.3	24,516.5	16,745.5	4,998.6	21,744.1
Past due but not impaired						
- up to 3 months	677.1	-	677.1	348.0	-	348.0
- 3 to 6 months	158.4	-	158.4	116.6	-	116.6
- 6 to 12 months	66.3	-	66.3	30.2	-	30.2
Individually impaired	43.2	-	43.2	20.9	-	20.9
	24,439.2	1,022.3	25,461.5	17,261.2	4,998.6	22,259.8
Impairment allowances	(15.6)	(0.1)	(15.7)	(11.4)	(1.6)	(13.0)
Loans and advances to customers net of impairment allowances	24,423.6	1,022.2	25,445.8	17,249.8	4,997.0	22,246.8
Impairment allowances						
- individual	5.0	-	5.0	2.3	-	2.3
- collective	10.6	0.1	10.7	9.1	1.6	10.7
Total	15.6	0.1	15.7	11.4	1.6	13.0

No loans which would otherwise be presented as past due or impaired are excluded from those amounts presented above as a result of renegotiation.

In respect of loans and advances to customers, the Group and Company hold collateral in the form of mortgages over residential properties. The fair value of this collateral was as follows:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Neither past due nor impaired	70,423.3	56,896.6	48,940.8	38,271.6
Past due but not impaired	3,278.5	2,396.9	1,650.5	1,069.1
Individually impaired	195.1	106.0	60.3	30.6
	73,896.9	59,399.5	50,651.6	39,371.3

11. Loan impairment continued

If the collateral amount on each individual loan were capped at the amount of the balance outstanding, and any surplus of collateral values over balances outstanding ignored, the fair value of collateral held would be as follows:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Neither past due nor impaired	37,212.7	29,620.7	23,444.9	16,739.7
Past due but not impaired	2,107.8	1,456.7	901.5	494.7
Individually impaired	146.5	76.6	40.9	18.4
	39,467.0	31,154.0	24,387.3	17,252.8
The individually impaired balances above include the following carrying amount of assets in possession	88.1	49.0	21.5	12.9

The fair value of the collateral is estimated by taking the most recent valuation of the property and adjusting for house price inflation.

After a property has been taken into possession, the process for sale is designed to mitigate any loss or maximise any potential surplus for the borrower.

Typically the property is sold by private treaty, via a locally appointed agent, as quickly as possible and for the best price attainable, taking into consideration market, property and general economic conditions. If it becomes apparent that the property will not sell by private treaty, consideration is given to submitting the property to an auction, following an auction appraisal and a recommendation by the Company's appointed Asset Manager.

During 2007, arrears levels have increased as predicted following the effect of five 25bp base rate increases since August 2006 (base rates increased from 4.5% to 5.75% prior to the recent 25bp reduction on December 2007). The total number of cases three months or more in arrears and in possession has increased to 6,170 (2006: 4,337) amounting to 1.63% (2006: 1.30%) of the total book.

Indexed average loan to value (LTV)

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Neither past due nor impaired	52.8	52.1	47.9	43.8
Past due but not impaired	64.3	60.9	54.6	46.3
Individually impaired	79.6	75.9	71.6	68.3
Total book	55.3	53.4	50.3	47.0

12. Secured funding

Group
At 31 December 2007

	Date of transaction	Securitised assets £m	Secured funding £m
Securitisations			
Aire Valley Finance (No.2) plc	October 2000	356.4	333.6
Aire Valley Mortgages 2004-1 plc*	October 2004	775.0	775.0
Aire Valley Mortgages 2005-1 plc*	April 2005	782.3	782.3
Aire Valley Mortgages 2006-1 plc*	August 2006	2,430.1	2,430.1
Aire Valley Warehousing 3 Ltd*	December 2006	1,000.0	1,000.0
Aire Valley Mortgages 2007-1 plc*	May 2007	2,495.1	2,495.1
Aire Valley Mortgages 2007-2 plc*	November 2007	1,156.3	1,156.3
		8,995.2	8,972.4
Covered Bonds			
Bradford & Bingley Covered Bonds LLP*	May 2004	2,129.2	1,342.0
Bradford & Bingley Covered Bonds LLP*	May 2006	3,303.5	2,082.1
Bradford & Bingley Covered Bonds LLP*	June 2006	374.5	236.0
Bradford & Bingley Covered Bonds LLP*	October 2006	621.6	391.8
Bradford & Bingley Covered Bonds LLP*	June 2007	2,676.5	1,686.9
Bradford & Bingley Covered Bonds LLP*	July 2007	285.1	179.7
Bradford & Bingley Covered Bonds LLP*	September 2007	793.4	500.0
Bradford & Bingley Covered Bonds LLP*	October 2007	665.9	419.7
		10,849.7	6,838.2
Total		19,844.9	15,810.6