



HM TREASURY

1 Horse Guards Road London SW1A 2HQ

Kirstin Baker
Financial Stability Resolution
Tel: 020 7270 5679

Kirstin.Baker@hm-treasury.gov.uk
www.hm-treasury.gov.uk

24 June 2009

Dear Mr Clokey,

The Bradford & Bingley plc Compensation Scheme: Appointment as independent valuer

1. I refer to your application for appointment as independent valuer pursuant to the invitation to potential candidates dated 11 March 2009 (the "Invitation") and the supplemental information you provided on request to the appointment panel. This letter adopts the definitions used in the Invitation.
2. I am pleased to inform you that your application has been successful and that you are hereby appointed as independent valuer pursuant to paragraph 6 of the Compensation Scheme set out in the Schedule to the Bradford & Bingley plc Compensation Scheme Order 2008 (S.I. 2008/3249) ("the Compensation Scheme Order").

Basis of appointment

3. Save where the contrary appears in this letter, your appointment as independent valuer is made on the basis of the Invitation.

Duties

4. You are required to discharge the functions of independent valuer in accordance with the terms of the Compensation Scheme and the provisions of Part 9 of the Financial Services and Markets Act 2000 and the Financial Services and Markets Tribunal Rules 2001 (both as modified by the Compensation Scheme Order). You will be expected at all times to act impartially, independently and fairly in the discharge of your functions as independent valuer.



Period of appointment

5. Your appointment will commence on 24th June 2009 and, subject to paragraphs 25 to 27 below, will continue until you have issued the last assessment notice under paragraph 10 of the Schedule to the Compensation Scheme Order and all challenges to the assessment notices (whether by the revised assessment notice procedure, or referral to the Tribunal under paragraph 12 of the Schedule to the Compensation Scheme Order or otherwise) have been finally disposed of, unconditionally withdrawn, or the time limit for making any such challenges has expired, whichever is the later.

Remuneration and reimbursement of expenses

A. Assessment Amount

6. We will pay you on an hourly basis for all work undertaken and pay you for all expenses incurred during the period from the date of your appointment until the date on which you issue your last assessment notice in accordance with paragraph 10 of the Schedule to the Compensation Scheme Order (“the assessment period”), subject to a limit on the total amount of such payments of £4.8 million (including VAT) (“the fixed limit”). In this letter the total amount of such payments is referred to as the “assessment amount”.
7. We recognise that certain costs are likely to be incurred in preparation for your appointment and management of communications following the announcement of your appointment. We will pay you on an hourly basis for all work undertaken and expenses incurred in this respect following your being invited to take on this role. These costs are included in the Assessment Amount.
8. The fixed limit has been agreed on the basis of the following assumptions:
 - Availability of requested information and access to management

You will have timely access to the current management of Bradford & Bingley (which will co-operate and assist you) and to relevant financial and other business information from Bradford & Bingley. The majority of such data is available electronically. Should you require time on-site, Bradford & Bingley will provide access to office space.
 - Information provided

Historical and forward looking financial information from Bradford & Bingley will not require any substantial processing in the form of, for example, consolidation, de-consolidation or reconciliation.

9. You will be remunerated and reimbursed for your expenses monthly in arrears on the basis set out in Annex 1 to this letter.
10. Payments will commence once an independent person appointed by the Treasury (“the independent monitor”) has certified that your time and expenses recording systems are capable of capturing adequately the work undertaken and expenses incurred by you, your staff and advisers in relation to this appointment. The independent monitor will be asked to verify on a regular basis that the work and expenses for which payment is sought has been undertaken or incurred in the discharge of your functions as valuer.

B. Additional work undertaken or expenses incurred

11. If the assumptions set out in paragraph 7 are not met in practice, or other circumstances arise which could not have been reasonably foreseen by the date of this letter, and this is confirmed by the independent monitor, then any resulting additional work reasonably undertaken by you or reasonable expenses incurred during the assessment period will be paid in accordance with the rates set out in Annex 1 and the procedure set out in paragraph 14 and any such payments will be additional to the payments made in accordance with paragraph 6.
12. Remuneration for work reasonably undertaken and reimbursement for expenses reasonably incurred by you -
 - (a) additional to the work undertaken and expenses incurred during the assessment period; or
 - (b) whether the work is done or expenses are incurred during or after the assessment period, in connection with
 - any judicial review proceedings challenging any action, decision or opinion of yours or ours, or
 - any other legal proceedings brought against you,

which relate to the discharge of your functions as independent valuer,

will be paid in accordance with the rates set out in Annex 2 and the procedure set out in paragraph 14 and any such payments will be additional to the payments made in accordance with paragraph 6.

13. Reimbursement in respect of an award of damages or costs against you in proceedings listed in paragraph 11(b) will be similarly provided.
14. There will be no entitlement to any payment in accordance with paragraph 11(b) or 12 where the alleged default or liability is admitted or otherwise accepted by you, or is determined by a Court to have been caused by your wrongful act or negligence. You will repay within 30 days of such admission or acceptance or determination any such amounts which have been paid to you.
15. The independent monitor will review any invoices from you for work undertaken or expenses incurred of the description set out in paragraphs 10 and 11. You should send invoices relating to any such remuneration or expenses to the independent monitor, together with an explanation of the reasons that the work had to be undertaken or the expenses had to be incurred. Within 30 days of receipt of the invoice, the independent monitor will either confirm in writing to you and us whether the work or expenses have been reasonably undertaken or incurred, or request further information from you about the invoices. It is expected that the independent monitor will notify you and us within 14 days of the receipt of any further information as to whether he or she considers that there is sufficient evidence that the work or expenses have been reasonably undertaken or incurred.
16. The Treasury will pay your invoice within 30 days of receipt of the notification from the independent monitor confirming that the work or expenses have been reasonably undertaken or incurred.

Appointment of staff

17. The Compensation Scheme Order provides that the valuer may appoint such staff as the valuer may determine. The Compensation Scheme Order also provides that the valuer shall determine the remuneration and other conditions of service of the staff so appointed and pay such pensions, allowances or gratuities to or in respect of staff so appointed as the valuer may determine.
18. The determination of remuneration and other conditions of service of, and the payment of pensions, allowances and gratuities to, staff appointed by the valuer requires the approval of the Treasury. If you wish to appoint staff you must notify the contact name given to you by the Treasury for this purpose.
19. For the avoidance of doubt, for these purposes "staff" means persons who are your employees, whether on a temporary or permanent basis and

does not include staff employed by your firm. Any charges incurred for the use of staff employed by, or other resources within, your firm will be considered to form part of your expenses and, if incurred during the assessment period, are included in the assessment amount and are subject to the fixed limit referred to in paragraph 6.

Time and expenses recording systems

20. The systems for recording time spent (both your time and that of your staff), and for verifying that any expenses in the discharge of your duties as valuer for which you may seek reimbursement, are as described in Annex 3 to this letter.

Computershare

21. Computershare will maintain and administer a register of persons who held shares in Bradford & Bingley immediately before those shares were transferred to the Treasury pursuant to the Transfer Order. Computershare is available to undertake mailings on your behalf to such persons.

22. Any costs incurred by you in relation to producing and undertaking mailings to former shareholders will be considered to form part of your expenses and, if incurred during the assessment period, are included in the assessment amount and are subject to the fixed limit referred to in paragraph 6.

23. Other Computershare costs are subject to an agreement with Bradford and Bingley and will be borne by the company.

Professional standards, conflicts of interest and indemnity

24. In accepting this appointment you confirm that you will–

- act in accordance with any relevant rules of conduct or code of ethics issued by any professional body of which you are a member; and
- maintain an appropriate level of professional indemnity insurance to carry out the appointment.

Conflicts of interest

25. In accepting this appointment you confirm that you will take such steps as are necessary to avoid any actual or potential conflict between any

personal or business interests and your functions as valuer that could influence, or be reasonably perceived to influence, your judgement in performing your functions as valuer and, in particular you will -

- not appoint staff or obtain assistance from staff employed by your firm who, to the best of your knowledge having made reasonable enquiries, have any such actual or potential conflict;
- take appropriate steps to ensure that you, your staff and staff assisting you employed by your firm are not placed in a position where there is any such actual or potential conflict; and
- disclose to former shareholders, the Treasury and other interested parties full particulars of any such actual or potential conflict of interest that may arise.

26. You will not consult, instruct, or obtain assistance from any party or person who, to the best of your knowledge having made reasonable enquiries, has any actual or potential conflict which could influence or be reasonably perceived to influence their or your judgment in relation to the performance of your functions as valuer.

Termination and vacation of office

27. The Treasury may terminate your appointment by notice in writing with immediate effect on the ground of incapacity or serious misbehaviour.

28. If your appointment is terminated or vacated (howsoever arising) you must provide (free of charge) such assistance as may reasonably be requested by any person appointed to take your place as independent valuer under the Compensation Scheme to facilitate an effective and timely handover of all work then in progress.

29. If you vacate office other than in circumstances outside your control you will reimburse the Treasury such amount as is reasonably required to provide for any additional costs arising out of the change of valuer. For the avoidance of doubt, your moving to another firm, the identity of which, by reason of its involvement with Bradford & Bingley or otherwise, prevents your continuing as valuer, will not be treated as circumstances outside your control.

Yours sincerely,

Kirstin Baker
Financial Stability Resolution