

To Northern Rock Shareholders

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UK Shareholders Association
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Northern Rock Shareholders Action Group – Update No. 1

As we stated in our press release announcing the formation of the Northern Rock Shareholders Action Group, we are opposed to any “fire sale” of the company. In our view any attempt to dispose of the assets of the company before the business is stabilised and financial markets have recovered from the recent disruptions would not result in a fair price being offered. What is in essence a very sound business might be sold for a pittance and that is not in the interests of anyone, whether it is the shareholders, the customers, the employees, the Government, or anyone else.

But our concern at this point in time is that it appears that the company might be under some pressure from the Government (via the Treasury and FSA) and the Bank of England to look for a quick buyer. Even the support offered by the Bank of England is at a relatively penal rate of interest and will make it more difficult for the company to overcome their short term funding difficulties. But the Bank of England is itself to blame for some of the problems faced by the company because of its failure to support the Interbank Market and ensure that there was sufficient liquidity whereas other governments in other countries did offer such support.

We believe that it is simply wrong for the government, and particularly a socialist one, to encourage the destruction of an enterprise with over 6,000 employees in the north-east of England (an area where unemployment is traditionally high) and which supports the Northern Rock Foundation via very substantial grants which are put into charitable and social programmes.

In addition, Northern Rock has a very strong underlying financial base and one of the highest rated mortgage books in the industry, which suffered from a short term funding crisis that could not have easily been foreseen. They should not be punished to set an example to other banks by being forced out of business, when the regulatory regime and actions of the Bank of England are mainly the cause of their problems. Instead they should be given reasonable support and given time to rebuild their financial structure and relationships with their customers – which we do not see as a particularly difficult task.

How can you help? By writing to your Member of Parliament and asking him or her to make representations to the relevant parts of the Government. A few simple lines in your own words asking that the Government provide more reasonable support to the directors of the company is what is required. You should ask that the Government opposes any rapid sale of the business or assets, instead of supporting such a move.

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UKSA—The independent voice of the private shareholder

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The key points to make are:

- The penal rate of interest being charged by the Bank of England should be reduced (it is important to emphasise that the company is not being “bailed out” – it is being lent money at a high rate of interest).
- There should be no deadline imposed on the provision of support, otherwise the company will have no alternative to proceed with a sale of the business against this prospective deadline. And the outcome of that is likely to be poor for shareholders.

You can write to your MP at the following address: The House of Commons
London, SW1 0AA. If you don't know who your MP is then go to this web site and enter your post code: www.upmystreet.com/commons/l/

Law suits. Note that we would like to correct one false impression that has been given by certain press coverage. UKSA is not currently contemplating launching law suits against the company, its directors or any other parties (possible “class action” suits have been suggested). There are some legal issues that we might look into but these are more matters of possible breaches of regulations in the main and although we might well be taking legal advice on these matters that is not one of our short term priorities.

Our main priority in the immediate future is to block any disposal of the company or its assets at a discount to its true, underlying worth. Such disposal is likely to require a vote of shareholders and therefore what happens is in your hands. We will simply encourage you to vote, and to vote in your best interests.

Nominee Account Holdings. One point related to that is that many individual shareholders hold shares in nominee accounts. This means your name is not on the share register of the company, unlike the position when you hold shares in certificated form (i.e. in the form of a paper share certificate) or hold them in a Personal Crest account. You are likely to have difficulty voting shares in a nominee account, and also be unable to attend any General Meeting of the company so you may want to consider moving your shares into certificated form so that you can be sure to have a vote in due course. This will not be possible if you have the shares within an ISA or PEP account, but otherwise such a transfer should be possible and all you have to do is request your stockbroker to make the change.

Volunteers to Join a Committee. To make a success of this campaign we urgently need to form a committee of people to work on various aspects of the campaign. If you are willing to put in some effort to ensure that Northern Rock remains a viable company, and that shareholders do not lose all then please telephone me.

If you have any questions or comments on this matter, please contact me by phone or email (contact information given below).

Yours sincerely

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