

To Northern Rock Shareholders

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Northern Rock Shareholders Action Group – Update No. 3

The company issued an announcement this morning that it had agreed new arrangements with HM Treasury to guarantee retail deposits. In addition to existing deposits, the Government will now guarantee all new deposits made after the 19th September 2007. These arrangements will continue in place "during the current instability in the financial markets" and Northern Rock will pay an unspecified "appropriate fee" for the extension of the guarantee "to ensure that it does not receive a commercial advantage".

This news is clearly positive for the company as it will encourage new retail deposits or at least discourage further withdrawals and the share price has perked up as a result.

Other positive news was the comment made by Prime Minister Gordon Brown at his press conference yesterday. The BBC reported him as saying "*I want to see the mortgages, and savings and deposits of all those people who've been involved in Northern Rock protected and able to be safeguarded for the future and obviously I too am concerned about the jobs of those people, hundreds and thousands of people, employed by Northern Rock particularly in the North East of the country. I hope we can work out a means by which the jobs of people in Northern Rock, the savings, the deposits and of course the mortgages of people who have mortgages with Northern Rock are properly safeguarded. But I don't expect you to expect me to say any more than that about commercial discussions that take place.*"

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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