

To Northern Rock Shareholders

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UK Shareholders Association
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Northern Rock Shareholders Action Group – Update No. 53

Northern Rock Financial Results

Northern Rock announced its financial results for the year ending December 2008 this week. This may be of little interest to you so this report will be brief, because you will definitely not be getting the shares back after the period of “temporary public ownership” which is the euphemism for “nationalisation” or confiscation of your property used in the annual report.

The loan outstanding to the Government at the year end was reduced to £9bn (from £27bn at the prior year end when it was near its peak). This is even better than the company planned to achieve and shows how quickly the company is recovering. As we have said before, it only needed a sound business plan and vigorous action to restore this company to health. This reduction in debt has been achieved by encouraging mortgage redemptions and cutting new lending to a trickle.

However, further reductions seem unlikely because the Government is now intending to use the company as a channel to inject money into the housing market and wishes the company to recommence substantial new mortgage lending. To facilitate the new lending, a “legal and capital restructuring” is being proposed.

The company overall lost £1.3bn, effectively wiping out the remaining shareholders equity. Much of this loss was accounted for by provisions for “impairment losses” on mortgage loans, where the default rate has risen considerably. Since nationalisation, the housing market has gone steadily downhill and these kind of losses have also been reflected in the recent results announcements by other major UK banks. However, there are also substantial “exceptional costs” of £163m arising from restructuring, redundancy costs, professional fees and payments to the Tripartite Authorities. Staff numbers were reduced by 1,300 to 4,500 during the year, but surprisingly staff costs actually rose from £159m to £163m for the year. Although staff got a 10% bonus, this seems odd. Go to this page for the full report:
http://companyinfo.northernrock.co.uk/downloads/2008_annual_report.pdf

Cheque Donations

Following dispatch of the last newsletter and request for donations, we received a number of calls asking for details of how to pay by cheque as opposed to using our on-line credit card donation form. Cheques can be sent to the following address: UKSA, PO Box 62, Chislehurst, BR7 5YB and should be made payable to the UK Shareholders Association. Please ensure you include a note of your name and address so we know who it is from. A form you can use to print out and enclose is present on this page of our web site:
www.uksa.org.uk/Appeal.htm

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Note that all previous "Update" notes on Northern Rock that we have issued are present on the following web site page: www.uksa.org.uk/NorthernRock.htm