

To Northern Rock Shareholders

9 June 2009

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Northern Rock Shareholders Action Group – Update No. 59

Judicial Review Appeal

There is an extensive report on the Appeal hearing for the Northern Rock Judicial Review which concluded last Friday on our web site on this page: www.uksa.org.uk/Judicial_Review_Appeal.htm . There were no great surprises in court although the arguments of the Government seemed to have changed somewhat from the previous hearing. A verdict, which will be in the form of a written judgment, is not likely to be issued for some weeks and we will advise all of our contacts of the result as soon as it is available. But do not assume that any verdict will be a final one and will be a conclusion of this matter.

Northern Rock Future

There have been several reports of the possible sale of the company (some indicating as early as this autumn) or some debt restructuring. For example the Times reported recently that the company might buy back some of the existing debt, including the subordinated debt known as PIBS, so as to improve the capital ratios and enable Northern Rock to lend more money. This might result in an apparent profit because the debt is in the balance sheet at par, and might enable the Government to inject less equity than the £3bn previously announced. This might involve splitting the company into a “good” and a “bad” bank with good assets in the former and poor quality assets in the latter. However much of this seems to be speculation and no doubt lots of options are being examined.

As regards any sale of the company, it would clearly be unwise to consider that until the company has properly recovered and the markets for banking assets have improved. Selling a residential mortgage bank in the depths of a housing recession is also never likely to be a good idea. Any short term disposal is not going to reflect a fair value but the Government is so desperate for cash to shore up its shaky finances that nothing can be ruled out.

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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